The PRICE SITUATION

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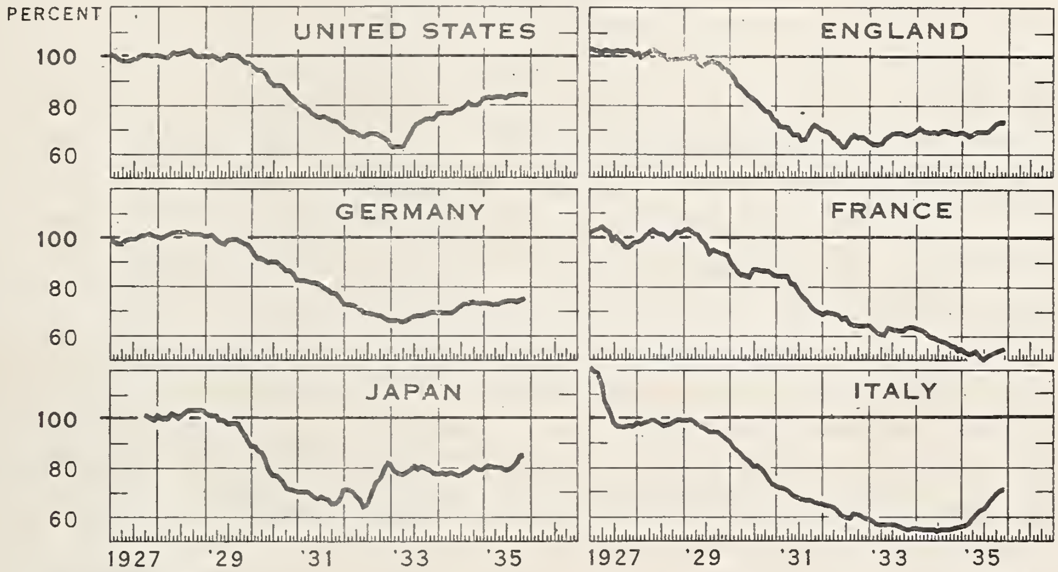
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON

WHOLESALE PRICES, UNITED STATES AND SELECTED FOREIGN COUNTRIES, 1927 TO DATE

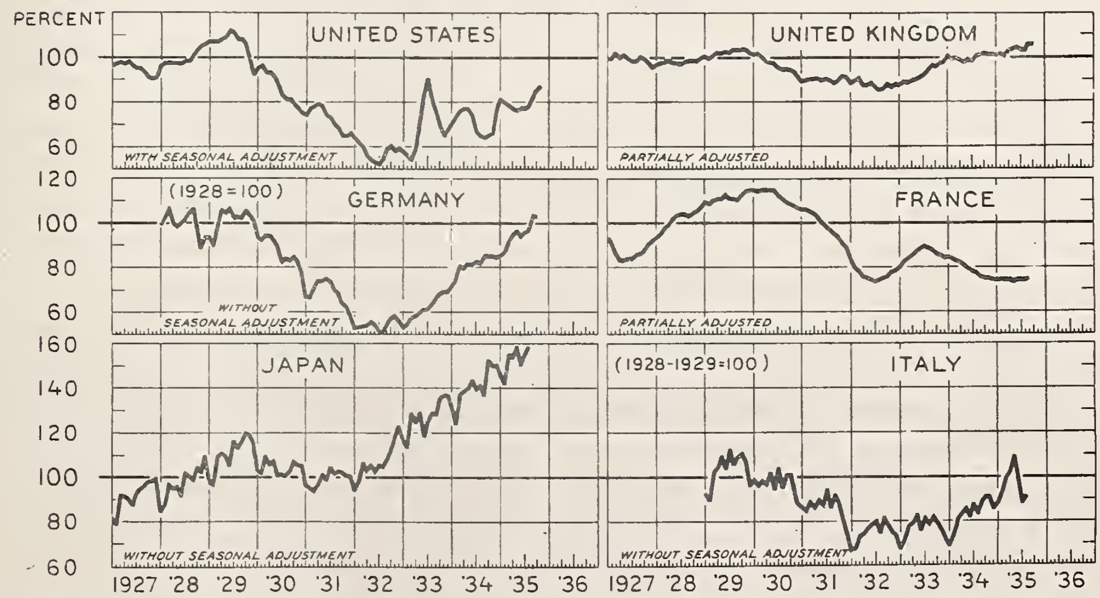
INDEX NUMBERS (1927-29=100)



U. S. DEPARTMENT OF AGRICULTURE NEG. 25960 BUREAU OF AGRICULTURAL ECONOMICS

INDUSTRIAL PRODUCTION, UNITED STATES AND SELECTED FOREIGN COUNTRIES, 1927 TO DATE

INDEX NUMBERS (1927-1929=100)



U. S. DEPARTMENT OF AGRICULTURE NEG. 25959 BUREAU OF AGRICULTURAL ECONOMICS

FARM PRICES

The general level of farm prices appears to be about the same as in mid-December. Prices of wheat, meat animals, and butter are somewhat higher, prices of cotton, corn, and potatoes about the same, and prices of eggs and tobacco are somewhat lower than a month ago. The general level of farm prices in December was 110 percent of the pre-war average, compared with 108 in November and 101 in December 1934. A preliminary estimate of prices paid by farmers in December at 122 percent of the pre-war average is 4 points lower than a year earlier. With this rise in prices received by farmers and the decline in prices paid by farmers, the exchange value per unit of farm products rose from 80 in December 1934 to 90 in December 1935, the highest since May 1930.

The effect on commodity prices of the removal of the processing taxes, which were declared void on January 6, has been mixed. Present farm prices of some commodites, such as hogs, have increased somewhat. The more distant future prices of cotton have declined, owing to the probable increase in production as a result of the invalidation of the production control program. Retail prices of some commodities have declined, as the removal of the processing taxes has tended to reduce the margin between retail and farm prices.

The removal of the hog processing tax has tended to lift prices, but this has been offset, in part, by a sharp increase in market receipts. The seasonal price movement in the remainder of 1936 may be about the same as if the taxes had been continued, but at a higher level. The number of cattle on feed January 1 was considerably greater than the relatively small number a year earlier. Prices of medium and good steers are likely to be maintained as a result of low hog supplies and improving consumer demand, whereas reduced supplies are likely to result in some increase in prices of low grade cattle.

Prices of potatoes have been fairly steady during the last month, and indications are that prices will probably continue near present levels for the next few months. The usual seasonal decline in egg prices is now in process. Relatively large receipts of eggs are likely to result in egg prices during the next few months being lower than in the corresponding months of 1935. Light receipts of poultry have been accompanied by an upward trend in prices which is contrary to the usual seasonal movement. Butter prices in December averaged 10 percent higher than a year earlier and the highest for the month since 1929, owing to relatively low production and an improvement in consumer demand. Seasonal changes in production and prices of butter in the first half of 1936 are likely to be much more nearly normal than in 1935, and butter prices during the summer are expected to average higher than during the summer of 1935. Cheese prices in Wisconsin in December were at the highest level in over 5 years. An improved demand and firm prices for wool in foreign markets and increased imports by the United States indicate that wool prices are likely to continue near present levels during the early months of 1936.

The general level of farm wage rates declined seasonally in the last quarter of 1935. The index number of farm wage rates for the United States on January 1, 1936 was 94 percent of the pre-war average, compared with 102 on October 1, 1935 and 86 on January 1, 1935.

WHOLESALE PRICES

The general level of wholesale prices in the United States for the year 1935 was about 117 percent of the 1910-1914 average, or 7 percent higher than in 1934 and 21 percent higher than in 1933. Wholesale prices have fluctuated between 117 and 118 percent of the pre-war average since early August. The low point of the year, which occurred in early January, (113.7) was followed by a gradual upward trend until mid-June. Prices in early January 1936 were 118 percent of the pre-war average.

The rise in the general index during 1935 was due chiefly to a considerable advance in prices of foods, hides and leather products, and textiles. Prices of farm products, which rose gradually from January to the high point in May, lost most of this gain during the latter part of the year. Prices of farm products, after an upward trend of nearly 3 years, are now only 6 percent below the general level of wholesale prices (1910-1914 = 100). Prices of semi-manufactured articles advanced more than did either raw materials or finished products.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products rose to 91.5 for 1935 compared with 79.2 for 1934, a gain of 16 percent over the previous year and the highest since 1930.

The trend of wholesale prices in the major foreign countries during the past year has been generally upward. (See chart on front page.) Prices in England have risen steadily, with a total rise of 16 percent from the low point of the depression in June 1932. Prices in Germany have increased by nearly the same percentage (14 percent) but within a shorter period; for the low point in Germany did not occur until April 1933. Prices in both England and Germany have advanced with a fair degree of regularity. Prices in Japan, as in England, reached the post-war low point in June 1932, followed by a sharp rise with a gain of 28 percent within the first 6 months and a further recent gain of 5 percent. This advance in Japanese prices has been most marked in international commodities.

Prices in France, the major country still on an old gold standard, declined from April 1929 to July 1935, followed by a 9 percent rise by mid-December. Prices in Canada have risen fairly regularly since the low point of February 1933, gaining a total of 14 percent by late December. Canadian prices in December were unchanged from November. Prices in Italy have not been quoted since early November, but at that time prices had risen 30 percent from the low point of July 1934.

BUSINESS CONDITIONS

The year-end slackening in activity of many of the major industries was not as marked or as extended as usual and after allowance for the usual seasonal recession industrial activity at the beginning of 1936 was at about the high levels reached in mid-December. During the last half of 1935 industrial production increased at the rate of nearly 3 percent per month and is now at a level about 10 percent above the same period a year ago. While this rate of improvement is not expected to continue during the first half of 1936 it is likely that the level of industrial output will continue above the same period of 1935. Because of the high level of output in the automobile and allied industries at the beginning of the year there may be less than the usual seasonal pick-up in these industries during the first quarter of 1936, but the level of output in these industries is likely to exceed the output in the first 3 months of 1935. Activity in building and several miscellaneous durable goods industries has increased sharply in recent months and will probably be a strengthening factor in the industrial outlook in the first half of 1936.

The general level of industrial activity in December apparently was higher than in November especially after allowances are made for the usual seasonal decline which occurs during the Holiday period. The decline in the output of steel, automobiles, and other durable goods during the Holiday period was less than usual this year. Building contracts awarded for all types of building during December increased sharply in contrast to the usual seasonal decline, owing largely to publicly financed residential housing, and the high level of building contracts awarded in the past 2 or 3 months indicates that a marked increase in building activity is in prospect in the spring months. Improvement in railroad earnings in the last quarter of 1935 has been accompanied by some increase in the demand for equipment by this industry.

Retail sales during the Holiday season apparently made more than the usual seasonal increase and were the highest since 1931. The Federal Reserve Board's seasonally adjusted index of department store sales increased from 81 percent of the 1923-1925 average in November to 84 percent in December. Sales of variety stores and stores in rural areas also made more than the usual seasonal increase and mail order house sales were higher than in any previous December. New passenger car registrations apparently declined more than seasonally from the unusually high levels of November but were still the highest for any December on record.

The trend of industrial activity in foreign countries in recent months is indicated in the figure on the first page of the Price Situation. According to the German Institute for Business Research, world industrial production has risen substantially during the past year and has recovered to almost the pre-depression level. However, the volume of world trade had made little headway during the past year, due to trade restrictions, and still remains more than 20 percent below the level reached in 1929. Industrial activity in Great Britain in recent months has been at the highest levels since the War, with new all-time records for steel output

being set in November and retail sales setting a new record for England in December. The possibility of a prolonged coal strike appears to be the major threat to further recovery in 1936.

Industrial activity in Germany improved considerably from March to September, but there has apparently been some slackening in recent months, especially in the output of consumption goods. Most of the improvement in Germany has been from increased activity in special works projects and in the manufacture of war materials. Recently the Government has become more concerned about the food shortage, and there has been an increase in the imports of foodstuffs. Any material improvement in industrial activity in Germany appears to be dependent upon an increase in exports.

In France and other gold-bloc countries there are still very few signs of improvement, although the official index of industrial production in France increased from 93 in August to 95 in October. Another financial crisis has been overcome in France, but little further improvement is in prospect in industrial activity in the near future. In Italy, where industrial activity is concentrated on armament industries, business activity in the last half of 1935 apparently was above the level of a year ago but below the peak reached in the summer of 1935.

A recent analysis of economic conditions in Japan by the "Far Eastern Survey" indicates that the rapid development of industrial activity in Japan "has tended to obscure the fact that she still remains largely an agricultural country ... Japanese agriculture since 1930 has suffered a depression quite as serious as that of the United States ... and the boom in Japanese industry and export trade had been achieved largely at the expense of the rural groups".

Business activity in China continues at very low levels, but the adoption of a managed paper currency appears to have had a favorable effect upon her exports, which increased sharply in November. Imports also increased, but remained below the level of November 1934, whereas exports were nearly 25 percent above a year earlier.

WHEAT

Wheat prices in the United States advanced during the past month reflecting higher Liverpool and Winnipeg prices. The removal of the processing taxes has had very little effect on current wheat prices. New crop prices may be affected by such expansion in spring wheat acreage as might result from lifting of acreage restrictions.

The United States average farm price of wheat as of December 15 was 90.1 cents per bushel compared with 88.7 cents in November and 90.6 cents in December 1934. On December 13 prices in all world markets rose sharply following the Buenos Aires January futures advance of 17 cents. December futures at Liverpool rose 6 cents and Chicago 5 cents. Both of these markets continued to average higher the rest of the month, but December futures at Winnipeg, after rising only 3 cents, lost half of that gain by the latter part of December. Since the middle of the month prices in cash markets,generally,have also been rising; an exception is durum wheat,which declined the week ended December 28. The average price for the week ended

January 4 of No. 2 Hard Winter at Kansas City at $1.18 and No. 2 Red Winter at St. Louis at $1.11 was each 8 cents higher than for the week ended December 14, and No. 1 Dark Northern at $1.35 and No. 2 Hard Amber, both at Minneapolis, were 10 and 6 cents higher respectively, than for the week ended December 14. Western white at Seattle rose 7 cents during the same period.

Prices of all classes and grades at six markets have recently averaged within 1 cent of a year ago, compared with an average of 14 cents lower than a year earlier the week ended December 14. This recent evening up is the result of a combination of advancing prices this year and declining prices a year ago. For the week ended January 4, No. 1 Dark Northern at Minneapolis was 19 cents higher than a year earlier, No. 2 Hard Winter at Kansas City 15 cents higher and No. 2 Red Winter at St. Louis 9 cents higher. Good quality hard wheat prices are higher this year because the United States is on an import basis for hard wheat and soft wheats are higher because of the increased demand for this type of wheat. Durum wheat, on the other hand, has been materially lower in price because it has not been necessary to import this type this season as was the case a year ago.

If the winter wheat crop turns out to be in the neighborhood of 530,000,000 bushels as indicated in the December crop report and if the size of the spring crop falls within a probable range of from 200,000,000 to 275,000,000 bushels, total production may be between 725,000,000 and 800,000,000 bushels. A crop of that size would provide a surplus of 100,000,000 bushels or over, domestic utilization being in the neighborhood of 625,000,000 bushels. The May futures at Chicago are now running in the vicinity of 8 cents per bushel above the corresponding futures at Liverpool, whereas for any significant amount of exports to take place they would probably have to be 10 to 15 cents below Liverpool.

The 1935-36 world wheat crop is now estimated at 3,485,000,000 bushels which is the same as the revised total for last year. Very little change has been reported in the estimates for any of the countries during the past month. The 1935 production of all wheat in the United States is now estimated at 603,199,000 bushels and an acreage harvested of 49,826,000 acres. The first official estimate placed the Argentine crop at 144,000,000 bushels compared with 241,000,000 bushels a year ago.

The acreage sown to winter wheat in the United States in the fall of 1935 of 47,529,000 acres is estimated to be 6.7 percent above that of 1934 and 5.7 percent more than the 1927-1931 average. The acreage sown in Canada, on the other hand, is estimated to be 25 percent less than that of 1934. Condition of the crop in the United States was estimated to be about the same as a year ago, while the condition in Canada, reported as of October 31, was considerably less than in the fall of 1934. Conditions since December 1 have been on the favorable side.

Stocks of wheat on farms on January 1, 1936, except for stocks of a year ago, are the smallest in the 10 years in which figures are available. They are estimated at 159,390,000 bushels, which is about 22,000,000 bushels more than on January 1, 1935. Stocks in North Dakota and South Dakota increased most, being over 25,000,000 larger than a year earlier; stocks in

Nebraska and Minnesota also showed significant increases. The largest decreases took place in Kansas and Montana. These differences may be accounted for in part by differences in production in the 2 years. However, the increases in the spring wheat area in general are largely due to the retaining on farms of wheat of poor milling value, of which there was a considerable quantity caused by the rust. Disappearance of wheat from farms during the last 3 months of 1935 totaled 100,868,000 bushels which was almost 9,000,000 more than in the last quarter of 1934 and 5,500,000 more than that of 1933. This would seem to indicate that the amount of wheat being fed is greater than in either of the last 2 years.

Wheat stocks remaining in Canada for export or carry-over on January 1 will probably be about 250,000,000 bushels when figures become available and Canadian grain in bond in the United States about 35,000,000 bushels. Stocks in excess of domestic requirements in Australia on January 1 were about 91,000,000 bushels. If Australia should ship in the neighborhood of half of this amount to the Orient, it would leave a relatively small amount for Europe. Argentina with a small crop and her unwillingness to be a cheap seller this year is virtually out of the European competition, and the Danubian countries have only about a 15,000,000 bushel surplus remaining. This leaves the European market largely to Canada, which country appears finally to be taking advantage of the situation by keeping its prices in line so as to reduce its large wheat stocks. Exports from Soviet Russia July-December totaled 24,000,000 bushels, but these have been declining since a peak in October.

CORN AND OTHER FEED GRAINS

Market prices of corn and oats were about unchanged in December, but barley prices advanced. Feed grains strengthened in the first week of January. No. 3 Yellow corn at Chicago averaged 58.8 cents in the first week of December and 60.9 cents per bushel in the first week of January. In the week ended December 7 all classes and grades of corn at five important central western markets averaged 52.4 cents and in the first week of the new year, 56.0 cents. No. 3 White oats averaged 28.5 cents early in December, and 30.7 cents early in January. No. 3 Barley at Minneapolis advanced from 46.6 cents the average for the week ended December 7, to 58.0 cents for the week ended January 4. Prices of feed grains appear fairly well adjusted to current supplies and not much change from present levels is expected in January or February.

The United States farm price of corn, December 15, was 53.0 cents; of oats 25.5 cents, and of barley 37.5 cents per bushel. Compared with the November 15 prices of 56.4 cents, 25.8 cents, and 37.8 cents, respectively, corn was weaker than the other feed grains. On the basis of digestible nutrients per pound, these prices suggest that corn is relatively expensive compared with either oats or barley. This may be due to the somewhat smaller supply of corn compared with average than of the other feed grains, but it may also be due to the favorable feeding prospects.

Farm stocks of corn for grain January 1, 1936, totaled 1,342,908,000 bushels compared with 810,479,000 bushels on January 1, 1935, and with 1,462,351,000 bushels, the average of the preceding 5 years. The total supply of corn grain at the beginning of the season, including farm and

market stocks October 1 and the corn grain crop, was 1,987,676,000 bushels. After adding the net imports during the period of 8,157,000 bushels and deducting the farm and market stocks on January 1, the domestic disappearance for the period, October through December, was 645,268,000 bushels compared with 582,435,000 bushels in the same months last year and 859,364,000 bushels, the average for the period in the previous 5 years. Assuming that the total number of grain-consuming animal units on January 1, 1936 was not greatly different from a year earlier, the domestic disappearance of corn grain per grain-consuming animal unit, October through December 1935, was greater than in the same period of 1934, but was about 10 percent less than in the fall months of the years just prior to 1935. No data were available as to the fall and early winter disappearance of corn silage.

Farm stocks of oats, January 1, 1936, were 771,452,000 bushels compared with 343,779,000 bushels a year earlier, and 653,258,000 bushels, the 5-year (1930-1934) average. The 1935 oats crop was about average, but because of the smaller number of livestock units to be fed, the current January 1 farm holdings are above average. Based upon total supplies at beginning of the season, July 1, net exports for July through December, and farm and market stocks on January 1, the domestic disappearance of oats, July through December, totaled 459,941,000 bushels compared with 294,333,000 bushels in the same period last year and 594,276,000 bushels, the 5-year average. Making the same assumption relative to grain-consuming animal units as above, the domestic disappearance of oats per grain-consuming animal unit, July through December, was much greater than last year but remained slightly under average. However, the domestic disappearance of oats per grain-consuming animal unit, October through December, was greater than last year and than average. While official figures are not available for barley, trade data indicate supplies are about 100,000,000 bushels larger than a year ago. Exports of California barley during December were 870,000 bushels, bringing the seasonal total since June 1 to 5,909,000 bushels against only 2,845,000 bushels during the corresponding period last year, and were the largest since the 1930-31 season.

Much rye is apparently being fed on farms this year. Despite the larger 1935-36 supply, market stocks and receipts of rye are small, suggesting the reluctance of farmers to sell at the current discount under wheat or corn. The quantity of rye fed in 1935-36 is placed at from 10,000,000 to 14,000,000 bushels. The 6,336,000 acres of rye seeded in the fall of 1935 was nearly 3 percent above the acreage sown in the fall of 1934. The increase was primarily west of the Missouri River. About 40 percent of the rye acreage is utilized for hay, pasture, or is turned under as a soil-improvement crop.

Market receipts of feed grains in December were smaller than those in November. Receipts of corn at 13 markets during December totaled 18,582,000 bushels, and of oats 4,576,000 bushels. The decline in corn receipts was contrary to the usual seasonal trend, but oats receipts declined seasonally. Shipments of corn from these markets were only about one-half as large as the receipts, and market stocks of corn increased from 5,682,000 on December 7 to 6,606,000 bushels on January 11. Oats shipments exceeded receipts and market stocks declined from 44,856,000 bushels on December 7 to 42,000,000 on January 11. The December barley

receipts at four central western markets totaled 4,809,000 compared with 7,827,000 bushels in November. Market stocks of barley apparently reached a seasonal peak late in November and were on a downtrend in December and early January.

The smaller feed-grains marketings in December may have been due to a number of factors. The current high hog-corn ratio (based on farm prices, December 15, for United States 16.5 and for the North Central States 18.5) favors farm feeding. The 31 percent increase in the fall pig crop over that of 1934 and a prospective increase of 24 percent in the number of sows to farrow in the spring of 1936 over the small farrowings in the spring of 1935 were also influencing factors. About 25,000,000 bushels of corn grain, some of which would probably have gone to market, have been sealed as collateral for government and private loans.

Market receipts indicate the 1935 corn crop is of low quality. The percentage of receipts at representative markets during December grading lower than No. 3 was abnormally high, and was caused principally by the unusually high moisture content of the early marketings. About 93 percent of the December receipts graded No. 4, No. 5 or sample grade. Of the receipts in December 1934, which included some old-crop corn marketed under the stimulus of relatively high prices, only 18 percent graded No. 4 or less, and of the receipts to March 15, 1935, only 25 percent graded to No. 4 or less.

Argentine corn imports continued in December and exceeded those for November. Arrivals at Atlantic and Pacific Coast ports in December and early January (week ended December 5 to week ended January 9) totaled 2,591,000 bushels compared with 1,651,000 bushels imported in November. Prospects suggest continued imports of Argentine corn in 1935-36, but in the aggregate they will likely be less than the 41,000,000 bushels imported in 1934-35. The acreage planted to corn in Argentina is probably 10 percent larger than the 17,368,000 acres planted in 1934-35. The crop is in good condition throughout the entire producing area, and in view of the increased acreage, an unusually large harvest is in prospect. Because of the large Argentine crop of last season, the carry-over into 1936 will be unusually large, which together with the prospective large crop, suggests continued low prices for the greater part of 1936-37 following the harvest of the crop in April, May and June 1936. Prices of Argentine corn have been slightly above the present minimum of 4.40 pesos per 100 kilos, or at the current rate of exchange, 56.7 cents per bushel. No new minimum price has been set, but trade reports indicate that the minimum price for 1936-37 will approximate the 1935-36 figure. The duty, freight, insurance, interest, and other costs incident to shipping the corn to the United States is about 36 cents per bushel. Argentine corn was quoted early in January at Atlantic and Pacific Coast ports at 75 cents per bushel or somewhat under domestic corn.

RICE 1/

During November and December rough and milled rice prices were mostly unchanged to somewhat higher. The December 15 United States farm price of rough rice was $2.52 per barrel (162 pounds) compared with $2.38 on November 15 and $2.06 on October 15. The average of a large number of sales of southern rough rice in the first week of January was $3.26, but by January 13 Blue Rose was reported selling in Arkansas for as much as at $3.65, in Louisiana at $3.52, and in Texas at $3.75 per barrel. No. 1 California rough rice (yielding 50 percent head rice) averaged on the latter date $3.19 per barrel ($1.97 per 100), f.o.b. growing points. Quotations on California-Japan rough were advanced sharply after the Supreme Court Decision. Fancy Blue Rose at New Orleans ranged from $4.60 - $4.75 per 100 on January 5 or slightly higher than 2 months earlier, but after the Supreme Court Decision this grade of milled rice sold at $3.70 - $3.85. Fancy Japan at San Francisco was available at $4.50 immediately prior to the decision or about the same as early in November. On January 13, this rice sold at $4.40 per 100.

Since the last report in November, another estimate of rice production was made. The 1935 United States production of rough rice was estimated as of December 1 at 38,452,000 bushels (10,681,000 barrels) compared with the 1934 crop of 38,296,000 bushels (10,638,000 barrels) and the 5-year (1928-1932) average of 43,017,000 bushels (11,949,000 barrels). The Southern States, (Arkansas, Louisiana, and Texas) produced 31,788,000 bushels (8,830,000 barrels) in 1935 or a larger crop than in 1934, while California harvested a much smaller crop - 6,664,000 bushels (1,851,000 barrels or 2,999,000 bags of 100 pounds). With the exception of 1934, the total harvested acreage in 1935 was the smallest of any year since 1914. Plowing for the new crop is under way in some areas. Because of relatively high prices for the last several seasons, an increase in the 1936 acreage may be expected.

The total supply of southern rice available for milling on January 1 was not greatly different from a year ago. This year, however, mills are holding a larger proportion of the stocks; a year ago, it was the producers. Taking the above estimate of the Southern rice crop of 8,830,000 barrels, and the carry-over on August 1 of about 40,000 barrels, and deducting 630,000 barrels for seed, feed, utilization by huller mills, and waste, there remains a commercial supply of southern rice for the season of 8,240,000 barrels. Total disappearance from farms and country warehouses (as measured by mill receipts and exports) amounted to 6,064,000 barrels, leaving 2,176,000 barrels on farms and in country warehouses on January 1. This compares with slightly more than 3,500,000 in these positions a year ago. Stocks of rough rice at mills, January 1, however, were more than double those of a year earlier and totaled 2,397,000 barrels, making a total supply available for milling on January 1 of 4,573,000 barrels or about the same as was available a year ago. Mill stocks of milled rice on January 1 were somewhat larger than at that time last year.

1/ Report issued every 2 months. The last one was given in November issue.

Marketings of southern rough rice were unusually heavy in October and November, but were quite small in December. Shipments of southern milled rice into trade channels also increased in October and November, but the distribution in December was small because of the approaching holiday season and inventory period and the uncertainty resulting from the processing tax litigation. The lower southern prices prevailing after the Supreme Court decision will increase the mill shipments in January since distributors stocks were low. The California 1935-36 season began in October and mill receipts in October and November were well ahead of those in the same months last season, but the movement of the rice from mills was less.

Exports of United States rice so far this season were the largest since 1930. Total exports of rice grain, including brown rice, August 1 to January 4, amounted to nearly 83,000,000 pounds compared with only about 28,000,000 pounds in the corresponding period last year. Early in the season, a very large proportion of the exports went to Cuba, but the exports in recent months were primarily to European and South American countries. In sharp contrast, less United States rice has been shipped this season to insular markets. This results in part from the unusually large insular shipments in the latter part of the 1934-35 season. Shipments to Hawaii, consisting primarily of California rice, totaled nearly 30,000,000 pounds so far this season (August 1 - January 4) compared with about 33,000,000 pounds in the like period last year. Shipments (mostly of southern rice) to Puerto Rico amounted to 60,000,000 pounds in the above period this season compared with 77,000,000 pounds in the same period of 1934-35. With the removal of the processing tax on rough rice, less United States milled rice will be exported, since the proportion of the processing tax paid on the rough rice exported was rebated to the mill, and with the prospective lower prices increased shipments to Puerto Rico and Hawaii are likely.

TOBACCO

Markets for Virginia fire-cured tobacco, type 21, opened November 11 and for Kentucky and Tennessee fire-cured, types 22, 23, and 24, January 2. Sales to January 11 totaled 13,781,000 pounds at an average price of 10.2 cents per pound as compared with 15,424,000 pounds sold during the same period of last season at an average price of 12.2 cents.

The supply of fire-cured tobacco for the 1935-36 marketing year is 331,000,000 pounds. This is somewhat larger than that of the previous year and approximately the same as the 5-year average supply. Exports of fire-cured tobacco for the 12 months ended September 1935 totaled 70,500,000 pounds and were the lowest of record. Domestic consumption has shown only very small gains from depression levels owing principally to the lack of improvement in the sale of snuff.

The sale of the 1935 crop of flue-cured tobacco was practically completed by January 11 and more than two thirds of the estimated crop of Burley had been sold by that date. Sales and prices by types for the 1935 season to January 11, with similar data for the 1934 season are as follows:

Types	Producers sales to Jan. 11		Average price for sales to Jan. 11	
	1934	1935	1934	1935
	1,000 pounds	1,000 pounds	Cts. per pound	Cts. per pound
Flue-cured, Types 11 & 14	540,301	760,143	27.5	20.6
Virginia fire-cured - Type 21	8,165	5,770	13.0	10.7
Kentucky & Tennessee fire-cured, Type 22	2,636	4,759	12.0	10.6
Kentucky & Tennessee fire-cured, Type 23	3,802	2,515	10.9	9.1
Henderson fire-cured, Type 24	821	737	10.9	6.7
Total fire-cured	15,424	13,781	12.2	10.2
Burley	131,294	154,466	17.6	20.2
One sucker, Type 35	5,133	6,998	7.3	7.2
Green River, Type 36	5,329	5,383	8.8	7.0
Virginia sun-cured, Type 37	957	657	9.4	9.6
Total dark air-cured	11,419	13,038	8.2	7.4

The average price for sales of Burley tobacco during the week ended January 11 was 1.5 cents per pound lower than for the previous week. The price for the fire-cured and dark air-cured types, however, showed marked improvement. The negligible quantities of flue-cured tobacco sold during the week were not sufficient to establish price trends.

POTATOES

Potato prices remained fairly steady during December in nearly all markets. Car-lot shipments have averaged slightly below those of the same period a year ago, but owing to the increased use of the motor-truck they do not indicate that marketings have been less. The size of the late crop would indicate that stocks of potatoes on January 1 approximated 95,000,000 bushels, or a large enough supply for the usual late winter and spring marketings. This would indicate that potato prices generally will probably hold to about present levels during the next few months.

The final crop report for 1935 showed a total United States potato crop of 356,000,000 bushels, as against 385,000,000 produced in 1934 and 363,000,000 bushels the 1928-1932 average. In the 30 late States the crop was estimated at 283,000,000 bushels, or about 29,000,000 less than in 1934 and 7,000,000 bushels below average. Practically all of these differences occurred in the 18 surplus-producing late potato States, as there was very little change in the crop in the other 12 late States.

Potato prices at New York City averaged $1.82 per 100-pound sack on an l.c.l. basis in the first week of January, compared with $1.78 a month ago and $1.02 at the same time a year ago. In the Chicago car-lot market, prices averaged $1.22 per 100-pound sack of North Central potatoes in the first week of January as against $1.25 a month earlier and 87 cents a year ago.

F.o.b. prices at important shipping points advanced about 5 to 10 cents per 100 pounds in December, although the cash-to-growers price registered slight declines in some shipping sections and slight advances in others. The following tabulation shows the early January prices, with comparisons, and it plainly indicates a general price level for potatoes at country shipping points approximately double that of a year ago, the price in Maine being 3 or 4 times as high as in early January 1935.

Potatoes: Shipping point prices, 1935 and 1936

Locality	F.o.b. per 100-lb. sack: Week ended -			Cash to growers, bulk per 100 pounds		
	Jan. 4, 1936	Dec. 7, 1935	Jan. 5, 1935	Jan. 4, 1936	Dec. 7, 1935	Jan. 5, 1935
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Presque Isle, Maine	1.25	1.12	.42	1.04	.97	.24
Rochester, N.Y.	1.28	1.22	.57	.97	.97	.33
Grand Rapids, Mich.	1.09	1.04	.60	.80	.82	.35
Waupaca, Wis.	.92	.97	.57	.66	.70	.34
Idaho Falls, Idaho	1.08	1.05	.75	.85	.80	.54

The United States average farm price to growers of potatoes on December 15, 1935, was 64.2 cents per bushel, compared with 62.6 cents the month before, 45.4 cents in December 1934, and an average of 62.3 cents per bushel for December 1909-1913. Farm prices in the late potato States in December 1935 ranged from a low point of 37 cents per bushel in North Dakota to a high of 95 cents in New England, although growers in Maine were getting 60 cents per bushel.

By Saturday, January 4, 1936, the surplus late potato States had shipped by rail or boat only 62,560 cars of potatoes, compared with 72,790 cars to the same time in 1935. The only States which have shipped larger quantities to date this season than they did to this time last season are Minnesota, the Dakotas, Nebraska, Colorado and Pennsylvania. The other important shipping States have been lagging behind last season's corresponding record. Movement from the 18 surplus States during the opening week of January increased very sharply to 3,610 cars and was several hundred carloads greater than output in the opening week of 1935.

HOGS

Hog prices fluctuated considerably in December but without resulting in much net change in the general level of prices. The rise which started in November continued through the first week of December, but in the second and third weeks prices moved downward. A sharp upturn during the holiday week was followed by a decline immediately afterwards which eliminated most of this gain. Following the decision of the United States Supreme Court, which eliminated the hog processing tax, prices advanced sharply but unevenly at the various markets. This rise attracted a tremendous increase in market shipments which checked the advance and caused prices to fluctuate widely as the market endeavored to adjust itself to the new trading basis of operating without processing tax payments. After this adjustment is completed, the seasonal price movements in the remainder of 1936 probably will be about the same as they would have been had the processing tax been continued, but at a higher level.

The weekly average price of hogs at Chicago, after reaching $9.47 per 100 pounds the first week in December, declined to $9.12 in the third week, rose to $9.63 in the fourth week, and then declined to $9.36 in the first week of the new year. Further weakness developed at the beginning of the second week in January but, immediately following the Supreme Court's decision with respect to processing taxes on the afternoon of January 6, prices rose about 70 cents, or to above $10. This sharp advance was followed by a very large increase in market receipts which checked the rise. Total receipts at the seven leading markets in the week ended January 11 were about 106 percent greater than in the previous week and nearly 43 percent greater than in the corresponding week a year earlier.

Hog slaughter under Federal inspection increased at the average seasonal rate from November to December. The December total of 2,875,000 head was 18.7 percent larger than the November slaughter, but was 31.5 percent less than that in December 1934 and 38.4 percent smaller than the 5-year average for the month. Average weights in December were not greatly different from those in November but were considerably heavier than those of a year earlier. The December average at the seven leading markets of 231 pounds was 1 pound lighter than the November average, but was 29 pounds heavier than that of December 1934.

Corn prices advanced in December and hog prices were lower at the beginning of January than they were a month earlier. The hog-corn price ratio, therefore, declined from 16.6 the first week in December to 15.4 the first week in January. At the beginning of 1935 the ratio was 7.9. The advance in hog prices following the removal of the hog processing tax is expected to cause a further rise in the ratio.

Wholesale prices of fresh pork declined during the first 3 weeks of December but advanced somewhat in the last week of the month. A sharp decline occurred when market receipts of hogs increased greatly after the Supreme Court decision. Prices of most cuts of cured pork tended to strengthen in December, but lard prices declined. The composite wholesale price of hog products at New York in December was $23.28 per 100 pounds compared with $23.71 in November and $16.50 in December 1934. The index of retail prices of hog products in that city on December 30 was 98.6 compared with 99.5 on November 30 and 69.1 on December 31, 1934 (1924-1928 = 100).

Storage holdings of hog products increased seasonally in December and the proportion of the total December production placed in storage was relatively large, indicating a fairly strong storage demand, considering the prospects for large slaughter supplies next spring and summer in relation to winter slaughter. The increase in stocks in December amounted to 70,000,000 pounds of pork and 15,000,000 pounds of lard. Pork stocks on January 1, amounting to 324,000,000 pounds, were 53 percent less than those of a year earlier and 44 percent less than the 5-year average for that date. Lard stocks, totaling 52,000,000 pounds, were 56 percent smaller than a year earlier and 34 percent less than the 5-year January 1, average.

Exports of both pork and lard increased materially in November as compared with the preceding month, but they continued at a level much below that of a year earlier. Lard exports in November were larger than in any month since last May, and pork exports were the largest since July. The increase in exports probably was caused in part by the seasonal increase in hog slaughter from October to November and in part by the short supplies and high prices of hog products in foreign countries. Shipments of pork and lard from the principal United States ports in December were considerably smaller than in the same month of 1934, but there was some tendency for pork exports to increase in December as compared with November.

The removal of the hog processing tax will not materially affect the supply of hogs for slaughter in 1936, but the distribution of marketings over the year may be somewhat different from what it would have been had the tax continued in force. Until the hog market becomes completely adjusted to the new conditions, supplies and prices are likely to fluctuate widely. During this period, therefore, the actual effect of the removal of the tax on hog prices is likely to be more or less obscured.

CATTLE

During the next few months slaughter supplies are expected to reflect an increase in feeding and, although total slaughter is expected to be smaller than last year, the proportion and actual number of fed cattle is expected to be materially larger, with the great bulk of these cattle medium to good steers. The reduced supplies of cows and of low grade steers is expected to support prices of common steers and most butcher cattle, the prices of which will probably strengthen. An improving consumer demand for beef, reflecting both increased purchasing power and short hog supplies, will tend to support medium and good grades, which may not decline greatly from levels of early January.

The prices of slaughter cattle fluctuated considerably from week-to-week during December, with the trend downward from the high point of the second half of the year reached in the first week in December. The decline was most evident on the better grades of beef steers with common grades making little change. The bulk of the supply of beef steers at Chicago graded upper medium and low good, so called in-between grades or short-feds, and such cattle declined the most.

The average weekly price of good steers for the week ended January 4 or $10.11 was the lowest since early August, while that of choice steers of $12.74 was higher than for any week from the end of May to the end of November. Prices of butcher cattle weakened somewhat in the middle of the month, but most of the decline on most kinds was recovered by the end of the month. The top price of veal calves reached $12.00 late in the month, the highest for any month since January 1931. The monthly average price of all beef steers at Chicago for December was $9.79 compared with $9.97 for November and $7.41 in December 1934. The December 15 farm price of beef cattle was $6.14 compared with $6.05 in November and $3.89 in December 1934. The farm price of veal calves was $7.85 compared with $7.65 in November and $4.88 a year earlier.

In view of the heavy supplies of cattle and calves in December prices were well maintained. Receipts of cattle at nine leading markets were 13 and 16 percent respectively above a year earlier and the 5-year December average. Inspected slaughter of 892,000 head was 14 and 29 percent respectively above a year earlier and the 5-year average and the largest for the month since 1925. Inspected slaughter of calves was 8 and 23 percent respectively above a year earlier and the 5-year average and the largest for the month on record. These comparisons with December 1934 exclude "Government cattle" in that month. Although receipts of beef steers at Chicago were the smallest for the month in the 14 years of record, the proportion of good and choice steers was above average for the month. While the proportion of cows and heifers in total slaughter was probably above average for the month, it was probably closer to the average than in any other month in 1935.

The number of cattle on feed for market in the Corn Belt States on January 1, 1936 was estimated as 41 percent larger than the very small number a year earlier. Cattle feeding in other important feeding areas was also on a much larger scale than a year ago.

BUTTER

Butter prices in December averaged 10 percent higher than a year earlier and the highest for the month since 1929. Relatively low production and improved demand resulted in higher prices. Farm prices of butterfat in mid-December were the highest in relation to feeds in about 30 months. Butterfat prices, however, are low in relation to livestock prices. These general price relationships will probably be maintained during the first half of 1936, and production during the remainder of the feeding period will probably exceed the previous year. Trade output of butter has been somewhat larger than a year ago, while retail prices have been higher. Storage stocks have been greatly reduced. With about average supplies of feed per animal unit and about the average relationship between prices of butterfat and feeds, it seems probable that the seasonal changes in prices and production in the first half of 1936 will be much more nearly normal than in 1935. A seasonal decline in prices is in prospect, but prices during the coming summer will probably average higher than in the summer of 1935.

The price of 92-score butter at New York in December averaged 34.0 cents per pound, 1.7 cents higher than in November and 3.1 cents higher than a year earlier. The price in December was the highest for the month since 1929.

The farm price of butterfat in mid-December of 33.0 cents was 4.8 cents higher than a year earlier. Butterfat prices in December were the highest in relation to feed grains, by-product feeds, and hay since the middle of 1933, and butterfat prices in December were higher in relation to these products than the average for the 15-year period 1920-1934. Butterfat and feed price relationships are favorable for commercial dairymen. Because of these price relationships, dairy production for the remainder of the feeding period will probably exceed the same period a year earlier. Butterfat prices are, however, relatively low in relation to beef cattle and hogs.

Production of creamery butter in November of 95,000,000 pounds was 16 percent less than a year earlier and the smallest for the month since 1928. In all sections of the country production in November was less than a year earlier. In the East North Central States the decrease was 19 percent and in the West North Central States, 16 percent. The low prices of butterfat in relation to feeds and livestock during the past summer and early fall is probably the principal factor accounting for the decline in production. The seasonal low point in butter production usually comes in November. The outlook is for a seasonal increase in production during the remainder of the winter.

Trade output of butter in November was slightly higher than a year earlier and the highest on record for the month. Trade output was large even though production was low. The out-of-storage movement was exceptionally large. Retail prices in November were about 7 percent larger than a year earlier. These changes indicate an increase in consumer expenditures for butter to the highest for the month since 1930.

Storage stocks of creamery butter on January 1 were 40,000,000 pounds compared with 47,000,000 a year earlier and the 5-year average of 54,000,000 pounds.

On January 9 the price of New Zealand butter in London was equivalent to 21.3 cents per pound, or 12.7 cents less than the price of 92-score butter at New York.

CHEESE

Cheese prices in Wisconsin in December averaged the highest in over 5 years. The general recovery in commodity prices and improved business has resulted in higher prices for cheese and other dairy products. Cheese production and storage stocks are relatively large, but trade output has also been large. Cheese prices in 1936 will probably average higher than in 1935.

The price of cheese (twins) on the Wisconsin Cheese Exchange in December averaged 17.0 cents, the highest for any month since September 1930. The price in December was 1.9 cents higher than a month earlier and 4.4 cents higher than in December 1934. While a seasonal decline in prices is in prospect as production increases, prices in the summer months will probably not be as low as in 1935.

Estimated production of cheese in November was 12 percent larger than the preceding high for the month in 1934. The decline in production from October to November was somewhat less than the usual seasonal decline.

Production of American cheese in November was 11 percent larger than in November 1934. In Wisconsin, the increase in production was 20 percent.

Apparent consumption of cheese continues heavy. Trade output in November was 7 percent above the preceding high for the month in 1934. Retail prices for cheese in November were 13 percent higher. These changes indicate an increase of about 22 percent in consumer expenditures for cheese, to the highest level for the month since 1929. Relatively short supplies and high prices of meats have tended to stimulate cheese consumption.

Storage stocks of American cheese on January 1 were 86,000,000 pounds compared with 90,000,000 a year ago and the 5-year average of 71,000,000 pounds.

POULTRY AND EGGS

Market prices of eggs continued to decline in December, with receipts much above those of a year earlier. Prices in January, February, and March will probably be lower than in the same months of 1935. Relatively short poultry receipts continued to strengthen poultry prices, contrary to the usual downward seasonal movement. The farm price of poultry is likely to advance to mid-spring.

The market price of special packed mid-western eggs at New York averaged 32.3 cents per dozen in December compared with 31.8 cents in December 1934. Farm prices on December 15 averaged 28.7 cents per dozen for eggs, compared with 27.0 cents a year earlier, whereas for chickens the price was 16.0 cents a pound compared with 11.7 cents a year before.

Receipts of eggs at the four markets in December were 721,000 cases compared with 567,000 cases a year before and a 5-year average of 595,000 cases. These receipts are the largest for the month on record. Winter and spring receipts are quite likely to continue relatively high.

Receipts of dressed poultry at the four markets were the lightest for December in many years, being 53,500,000 pounds compared with 56,400,000 pounds a year before and a 5-year average of 68,600,000 pounds. The influence on price of these light receipts will continue during the first half of 1936 as fresh supplies are ordinarily low and at that season when the principal source of supply is the poultry stored during the preceding fall.

Storage stocks of case eggs on January 1, 1936 were 955,000 cases, compared with 648,000 cases a year before and a 5-year average of 981,000 cases. Storage holdings ordinarily decline rapidly to early March.

Storage holdings of frozen poultry on January 1 were 107,205,000 pounds compared with 132,000,000 pounds a year earlier and a 5-year average of 117,700,000 pounds.

LAMBS

The advance in slaughter lamb prices that started about the middle of November continued through much of December and in the week before Christmas lambs reached a top of $11.90, the highest since June 1930. During the next 2 weeks, however, prices weakened and the top dropped below $11.00. Prices of both slaughter ewes and feeder lambs tended to strengthen somewhat during the month. In view of the rather sharp advance in lamb prices in November and December a further material advance does not seem likely.

The average monthly prices of good and choice lambs at Chicago in December was $10.92 compared with $10.30 in November and $7.59 in December 1934. The December 15 farm price of lambs was $8.15 compared with $7.57 in November and $5.01 in December 1934.

Supplies of sheep and lambs for slaughter in December continued fairly large. Receipts at seven markets were 13 percent above December 1934; inspected slaughter of 1,369,000 head was 6 percent above a year earlier but 2 percent below the 5-year December average. Weather conditions during December were fairly favorable for feeding and lambs in most areas made good gains. With the weight and condition of lambs going into feedlots this fall probably above average, it is possible that the market movement from all areas will be earlier than usual.

WOOL

In view of the improved demand and firm prices in foreign markets and the necessity for increased imports by the United States in the next few months, domestic wool prices are likely to continue near the present level during the early months of 1936 at least. Demand for wool on the Boston market in December and the early part of January was fairly strong for that season of the year, and further price advances were reported on some grades of domestic wool. Prices were also slightly higher at the opening of the Southern Hemisphere markets after the holiday recess. Consumption of wool is still exceptionally large in the United States and the United Kingdom. Stocks of wool in the United States at the end of 1935 were the lowest in several years, with domestic manufacturers carrying a larger proportion of the total than in the last few years. Imports have increased considerably in the last 4 months and are likely to continue in fairly large volume until the opening of the new domestic wool selling season (April 1).

Quotations for fine (64s, 70s, 80s) strictly combing territory wool at Boston averaged 85.5 cents a pound, scoured basis, for the week ended January 4 compared with 84 cents a month earlier and 76 cents a year earlier. Territory 56s averaged 75 cents a pound the first week in January compared with 74.5 cents the first week in December and 66.5 cents for the week ended January 5, 1935. The United States average farm price of wool on December 15 was 23.3 cents a pound compared with 22.6 cents on November 15 and 18.5 cents on December 15, 1934.

Consumption of apparel class wool by United States mills showed some seasonal decline in November. For the 4 weeks ended November 23, the Bureau of the Census reports that the weekly average rate of consumption of apparel class wool by United States mills was 6,882,000 pounds, scoured basis, compared with 7,391,000 pounds in October and 4,400,000 pounds in November 1934. From January to November 1935, mill consumption of apparel wool totaled 276,000,000 pounds compared with 145,000,000 pounds consumed in the same months of 1934. Consumption from January to November 1935 was larger than in any year since 1923. While a further seasonal decline in consumption was expected in December, unfilled orders are large and machinery activity continues high.

Consumption of wool continues very high in the United Kingdom. Mill activity on the European Continent, however, declined somewhat during November as a result of a slight reduction in operations in Germany and a more substantial curtailment in Italy.

Imports of wool by the United States have increased sharply in the last few months. Imports of combing and clothing wool were 4,370,000 pounds in November compared with 3,924,000 pounds in October and 1,959,000 pounds in November 1934. The November imports were greater than for any month since October 1933. For the period January to November 1935, imports of such wool totaled 23,642,000 pounds compared with 21,619,000 pounds in the same months of 1934. Receipts of domestic wool reported at Boston from January to December 1935 were about 227,000,000 pounds compared with 184,000,000 pounds in 1934 and an average of 237,000,000 pounds in the 5 years 1929 to 1933.

Apparent supplies of wool for disposal during the remainder of the season in four of the principal Southern Hemisphere countries, Australia, New Zealand, Argentina and Uruguay, were estimated to be about 13 percent less on December 1, 1935 than at the same date in 1934 and 3 percent below the average quantity for disposal on the same date of the years 1929-1933. Despite estimated smaller supplies for the season, exports from these countries up to December 1 were 390,000,000 pounds, or 22 percent above the same period of 1934, but 6 percent below the average for the same period of the years 1929-1933.

COTTON

The average price of Middling 7/8 inch cotton in the 10 markets declined from a level of about 12 cents early in December to about 11-1/2 cents on December 11 and fluctuated for the most part slightly above this level through the first week in January. By January 9 the price fell to 11-1/4 cents but recovered to about 11-1/2 cents by January 13. Cotton price declines at Liverpool were greater for American than for most foreign growths during December, thus continuing to favor the maintenance of exports and foreign consumption of American. Domestic consumption in December was higher than the corresponding month a year earlier for the fourth consecutive month. The world consumption of American in November exceeded that of a year earlier for the third consecutive month although foreign consumption exceeded that of a year earlier for the first time this season, according to the New York Cotton Exchange Service. While United States exports in December were about 74 percent above the unusually low exports of a year earlier, they were nearly 13 percent below the 10-year average and reports indicate that there has been some restriction owing to the scarcity of desired grades. World production of all growths of cotton is approximately 2,000,000 bales larger than the small production in 1934-35 with foreign production exceeding the record crop of a year earlier by 880,000 bales. The world supply of all growths is slightly less than that of a year earlier.

The price trend of Middling 7/8 inch cotton in the 10 designated markets for the current season declined rapidly from a point slightly above 12 cents early in August to an average slightly under 10-1/2 cents in September, recovered to an average of nearly 11 cents in October and by November 21 had climbed to a high of 12-1/5 cents. The average price in December was 11.70 cents compared to 11.98 cents in November. The price in the 10 markets declined about one-half cent during the first half of December and continued for the most part a little above a 11-1/2 cent level to January 5. The price fell nearly one-half cent from 11-3/4 cents on January 6 to about 11-1/4 on January 9 but recovered to slightly above 11-1/2 cents by January 13. The prices of futures contracts continued below spots in recent weeks with a tendency for the near months particularly January contracts to rise relative to spots, but New York futures contracts for October continued to fall relatively and by January 13 were about 1-1/2 cents below the price at the 10 spot markets. The average price received by producers in December was 11.4 cents compared with 11.5 cents in November and 12.4 cents in December 1934. The prices of most foreign growths at Liverpool showed less decline than American during December leaving the prices of Brazilian Sao Paulo Fair, Peruvian Good Tanguis and

Egyptian Uppers still higher relative to American than a month earlier. With the exception of last month the price of three grades of Indian was higher relative to American than at any time since March 1933.

Domestic cotton consumption in December is reported by the Bureau of the Census at 498,000 bales. This is less than 2 percent smaller than November, nearly 20 percent greater than consumption for December 1934 and the largest consumption for the month since 1928. Total domestic consumption for the season through December was 2,416,000 bales or 13 percent larger than for the same period last season and about equal to the consumption for the same period in 1933-34. A virtual absence of burdensome year-end inventories in most primary channels, a relatively high level of retail sales, a fair quantity of forward orders, and marked improvement in capital goods industries normally using large amounts of cotton goods, all helped to maintain mill activity in December despite an uneven distribution of mill sales, year-end suspension of activity in many mills and the restraining influence of pending Court decisions. Although the expectation of readjustments to lower mill costs may delay purchases of yarns and unfinished fabrics during January, a fair volume of retail sales, trade forecasts of continued high industrial activity, and further government awards may serve to maintain mill consumption.

Foreign consumption of American cotton in November exceeded that of a year earlier for the first time in the current season, according to the New York Cotton Exchange Service. The cotton spinning industry of England continued to share the industrial improvement in December, with mills running at the highest rate since pre-depression years, taking more American cotton through December than for the same period last season and currently taking more American than foreign growths, but with slight declines in current sales. Continental spinning is running at a substantially higher rate than a year ago, though below pre-depression activity, and is taking American cotton in appreciably larger volume than a year earlier. French mills are running at a substantially higher rate than a few months ago, with mill stocks of goods small, forward business in good volume, and mill margins improved. Activity in Germany and Italy is hampered by import restrictions and rayon production is reported to be increasing rapidly, but German cotton mills are still active. Japanese mills show high activity except in comparison with the last year or so, and consumption is expected to be maintained.

United States exports of cotton in December, amounting to 887,000 running bales, were the largest for the month since 1932, and the second consecutive month showing an increase over a year earlier by approximately 75 percent or more. This shows an increase of about 7 percent over exports for the same month in 1933 but is about 13 percent less than the average for December in the 10 years ended 1932. Total exports August 1 through December 31 amounted to 3,452,000 bales, an increase of about 44 percent over the same period last season but approximately 20 percent less than for this period both in the 1933-34 season and for the 10-year average ended 1932-33. Exports to Great Britain, Belgium, France, and Germany continued high for December and for the season compared to a year earlier, with total exports to Germany rising to more than twice that of last season.

Exports to Japan in December exceeded those of a year earlier for the second consecutive month, but exports to China have fallen off considerably, due in part to the high price of raw cotton relative to yarns and piece goods. Total exports to Great Britain continue higher for the first 5 months of the current season than at any time since 1929-30. Total exports of Indian for the season August through December, are still somewhat below those of a year earlier, according to the Commercial and Financial Chronicle. Exports of Egyptian, August through December, were 18 percent larger than a year earlier and the largest on record, with Great Britain, France, and Germany, taking a large share of the increase, but with exports to Japan and India relatively low for the season.

The estimated world production of all cotton for the current season is now placed at about 25,600,000 bales of 478 pounds net. This is 700,000 bales less than the first estimate released in November but is approximately 2,000,000 bales larger than the unusually small crop of 1934-35. The foreign crop is estimated at 14,866,000 bales, and the domestic crop is now officially estimated at 10,734,000 bales. This estimate of foreign production, 30,000 bales larger than the first estimate for the current season, is 880,000 bales larger than the 1934-35 foreign crop, which had been the largest in history. The world supply of all growths may be roughly estimated at 39,200,000 bales or about 500,000 bales less than the supply a year earlier, a difference due to the estimated decrease in the supply of American, the world supply of foreign of about 19,500,000 bales being approximately the same as last season.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 4/: 1910-1914 = 100	Commodity prices: United States: Wholesale 4/: 1926 = 100	Commodity prices: Foreign 5/: In foreign currency: 1926 = 100	Interest rates 6/	Industrial stock prices 7/
	1923-1925 = 100								
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	104	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	96	4.01	176
1928	111	102	99	149	141	97	96	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	84	3.56	236
1931	81	68	77	87	107	73	74	2.58	139
1932	64	46	64	65	95	65	68	2.58	65
1933	76	48	69	70	96	66	68	1.63	84
1934	79	62	79	90	109	75	69	1.00	98
1935				108	117	80		.79	120
1933 -									
Mar.	59	37	59	55	88	60	66	3.06	58
1935 -									
Jan.	91	64	79	107	115	79	70	.88	103
Feb.	89	69	81	111	116	80	70	.88	103
Mar.	88	71	82	108	116	79	69	.88	100
Apr.	86	71	82	111	117	80	69	.81	106
May	85	68	81	108	117	80	70	.75	114
June	86	66	80	104	116	80	69	.75	117
July	86	65	80	102	116	79	69	.75	123
Aug.	87	70	82	106	118	80	70	.75	127
Sept.	90	72	84	107	118	81	71	.75	132
Oct.	95	75	85	109	118	80	72	.75	135
Nov.	97	74	85	108	118	81	8/	.75	144
Dec.				110	118	81		.75	142

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics indexes, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100 .
4/ Bureau of Labor Statistics index.
5/ Weighted average of index for eight foreign countries - United Kingdom, Canada, China, Japan, France, Italy, Germany, and the Netherlands.
6/ Harvard Economic Service, average of daily rates on commercial paper in New York City.
7/ Dow-Jones index is based on daily average closing prices of 30 stocks.
8/ Data for Italy have not been made available since early November.

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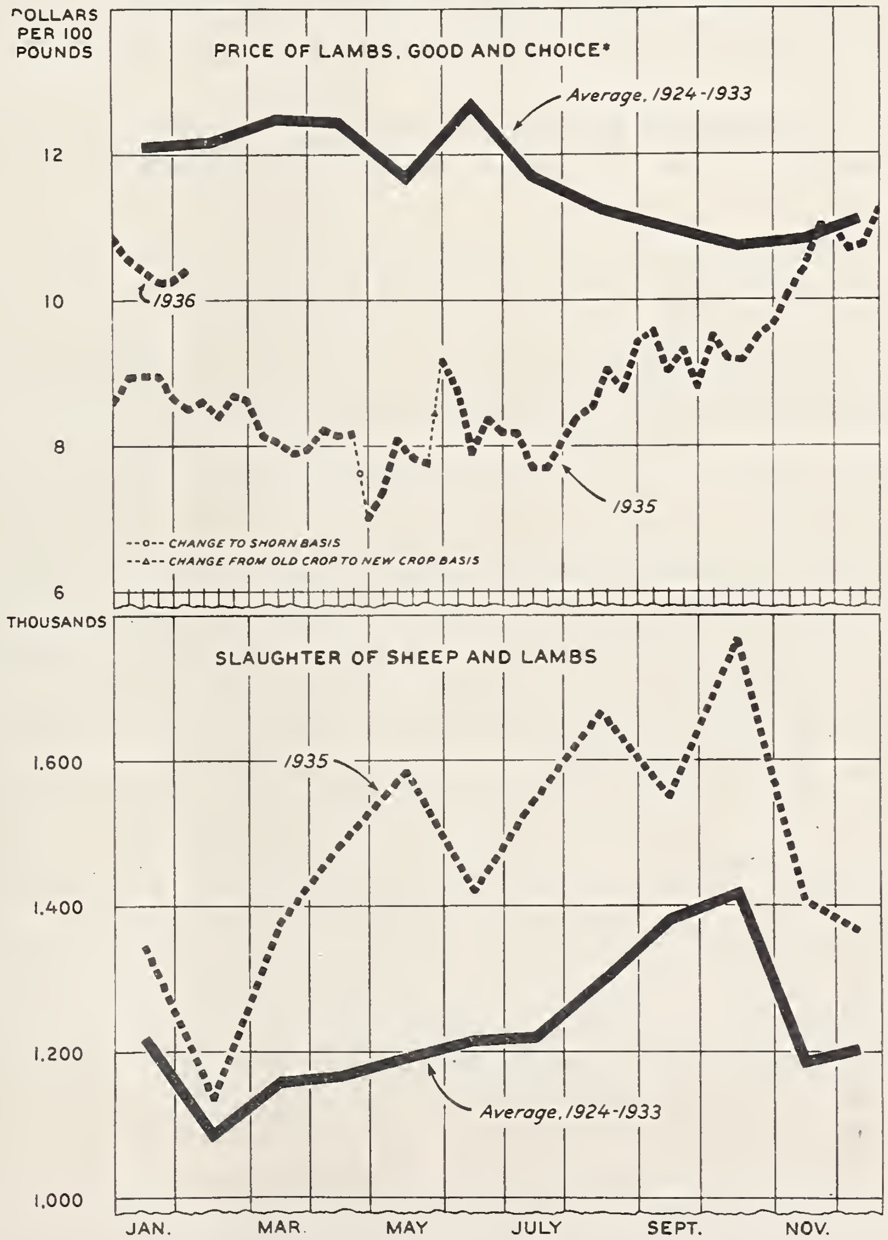
The PRICE SITUATION

FEBRUARY 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON

SHEEP AND LAMBS: PRICE AT CHICAGO AND FEDERALLY INSPECTED SLAUGHTER, AVERAGE 1924-1933, AND 1935 TO DATE



*JAN. 1924-JUNE 1930, 84 POUNDS DOWN; JULY 1930-DEC. 1935, 90 POUNDS DOWN

NEG. 21571

Lamb prices advanced sharply from August through December 1935, contrary to the usual seasonal tendency, with prices in late December reaching the highest level in more than 5 years. Slaughter supplies of sheep and lambs during the last half of 1935 were the largest on record for that period.

The rise in lamb prices in recent months, therefore, reflects the improved consumer demand for lamb and higher prices for wool. It is probable that lamb prices will be well maintained during the remainder of the winter and early spring.

FARM PRICES

The general level of farm prices appears to be about the same as in mid-January but a downward trend is in prospect to mid-year. Prices of hogs, dairy products, and potatoes are higher than a month ago partly because of reduced market supplies as a result of continued and widespread cold and snow. Prices of wheat and cotton, and some other products have declined since mid-January. With the return of warm weather prices of dairy products and eggs are expected to resume their seasonal decline and the decline in hog prices which usually occurs in the spring is likely to begin earlier, and perhaps be greater, than usual this year. Tobacco prices, which are relatively high compared with pre-war, and the volume of farm marketings of tobacco, are on a seasonal down trend.

In the next few months prices of crops will be affected by planting and growing conditions. The course of wheat prices in particular will depend to a large extent on crop prospects and the supply available for export. Steady to somewhat higher prices for feed grains are in prospect in the next few months, especially for the better grades, owing to the low quality of last year's feed crops. The supply of old crop potatoes is relatively small and present indications point to a somewhat below average crop of early potatoes in the Southern States.

Increased supplies of the better grades of slaughter cattle may result in some further decline in their prices, even with an improvement in consumer demand, but the prices of the lower grades of slaughter cattle, and of stockers and feeders are expected to advance somewhat. Smaller supplies of lambs, an improved demand, and higher wool prices all point to a maintenance of lamb prices near the relatively high level of December and January. The butterfat and feed price relationships are favorable for a considerable increase in butter production with the coming of warm weather. Cheese prices have declined sharply with continued large stocks despite a high level of consumption. Smaller available supplies of wool until the new domestic clip becomes available in April or May seem likely to sustain wool prices near the present levels for the next few months.

Income from farm marketings in December was $125,000,000 higher than a year earlier. Farm income in 1935, including rental and benefit payments, was 9 percent greater than in 1934. Income from farm marketings in the first half of 1936 is expected to continue above the level of a year earlier.

WHOLESALE PRICES

The general level of wholesale prices declined one point in early January and is now about 117 percent of the pre-war level compared with 115 a year earlier. Available evidence points to a slight downward trend of the wholesale price level until mid-year, largely because of prospective declines in prices of farm products and foods. Prices of textile products declined 3 percent in January, reflecting lower cotton prices and removal of the cotton processing tax. Prices of fuel and

lighting products, on the other hand, have risen about 2 percent in recent weeks, partly as a result of the widespread and continued cold weather.

Wholesale prices of farm products are now at about the level of a year ago. The small rise in the level of wholesale prices since then is accounted for by advances in prices of nonagricultural products, including foods. Hides and leather are now higher compared with a year ago than prices of any other group of commodities. Foods, fuel and lighting products and textiles are a little higher, miscellaneous products a little lower, and other groups are about the same as in early February 1935.

The dollar weakened considerably in foreign exchanges during the month ended February 4, with a rise of nearly 10 cents in the value of the pound in terms of dollars. The United States exported some gold in early February for the first time in many months and the dollar has recovered a little in the foreign money market since February 4.

Wholesale price levels, in Canada, England, and Germany have fluctuated within a narrow range for the last 2 months or more. Prices in France continued their slight upward trend through January. No data are available on price movements in Italy since mid-November. Japanese prices in December were about one percent below the 5-year high reached in October; a marked decline occurring in raw silk prices, with lesser declines in rice, steel, and rayons.

BUSINESS CONDITIONS

The level of output in several lines of industry declined from December to January instead of making the usual seasonal increase, but indications are that the decline is a readjustment from the unusually marked advance in industrial output from July to December and is expected to be temporary. The unusually cold weather over a large part of the country has been an important factor in temporarily retarding retail sales of automobiles and output has declined with sales. Both sales and output of automobiles are expected to increase during the spring months. Indications are that building activity, both public and private, will increase sharply with more favorable weather; and this together with the authorization of bonus payments, the increases in orders for steel by railroads, farm machinery and machine tool manufacturers, and other miscellaneous users, all point to increased industrial output and trade during 1936.

Automobile production in January was somewhat lower than in December and for the first week in February assemblies dropped further to a level slightly below the same week in 1935. Dealers apparently were well stocked during the heavy production of December and production in recent weeks has been held more nearly in line with retail sales. Consequently it is expected that automobile output will increase again with the increase in retail sales this spring. Steel production has declined in line with automobile production but increased buying by railroads and other heavy industries have helped to take up the slack caused by the decline in orders from the automobile industry. The output of cotton textiles increased more than seasonally from December to January. Wool textile activity has

declined considerably from the high level attained in November but is still above normal. Building contracts awarded in January were below December but more than twice as large as January last year with all types of construction showing a marked increase over a year ago.

Retail sales so far in 1936 have been influenced considerably by the abnormal weather conditions. Railroad freight traffic has increased because of heavy coal shipments, and sales of winter clothing and other winter supplies have improved whereas sales of many other products have declined. Department store sales in January as measured by the Federal Reserve Board's seasonally adjusted index were 79 percent of the 1923-1925 average compared with 84 in December and 74 in January 1935. Mail order house sales continued at a level somewhat above the same period last year but rural retail sales declined more than seasonally from the unusually high levels of December.

Employment and payrolls increased in December in contrast to the usual seasonal decline largely as a result of the marked increase in retail trade. With the readjustment of retail trade to more normal conditions and some decline in industrial output it is probable that there was some decline in employment and payrolls from December to January.

Improvement in industrial output in some foreign countries in recent weeks has apparently been about offset by declines in industrial activity in other countries. In England, industrial output reached new high levels in December. Building activity is still expanding particularly in the case of industrial and public buildings. Prospects of a settlement of the dispute in the coal industry have improved considerably and plans are being formed to regulate the cotton spinning industry and for scrapping excess spindles. Wool textile activity in Great Britain is at a very high level, similar to that in the United States. Improved prices of raw materials are benefiting trade conditions in the British dominions and in South America. In Japan, industrial activity has apparently been maintained but there has been some decline in activity in the cotton yarn and raw silk markets. The foreign trade of China has been increasing from the low levels reached last summer with exports increasing more than imports. Holland and Switzerland have failed to make any progress in industrial output, and unemployment in France has tended to increase again.

In Germany, industrial activity has tended to decline, particularly in the heavy industries. Employment has declined seasonally but is somewhat higher than a year ago.

WHEAT

The crop outturn of wheat in Europe in 1936 will likely be a more important factor in the world wheat situation than for many years. For the past several seasons, significant carry-over supplies in many European countries have tempered the effect of new crop news. Former burdensome stocks have now been generally reduced in most countries so that smaller yields in Europe would make for definitely larger imports. European yields have been unusually high during the last 7 years. It now seems likely that wheat stocks in the United States at the end of the year will be reduced to about normal proportions but if winter killing is not unusually heavy and if the spring wheat crop is about average, there is likely to be a surplus which would result in a downward adjustment of prices to facilitate exports.

The United States average farm price of wheat as of mid-January was 93.0 cents per bushel, compared with 90.1 cents a month earlier and 89.3 cents in January 1935. During this period there was a corresponding rise in prices at principal markets. During the following month prices at Minneapolis continued to rise, No. 1 Dark Northern Spring rising from $1.30 for the week ended January 11 to $1.34 for that ended February 8, and No. 2 Hard Amber Durum from $1.22 to $1.23 between the same weeks. Prices at other markets, however, declined generally, No. 2 Hard Winter at Kansas City declined from $1.15 to $1.10 and No. 2 Red Winter at St. Louis from $1.11 to $1.07 between the week ended January 11 and that ended February 8. In mid-January, when Winnipeg and Liverpool prices were relatively firm, domestic prices sagged as a result of a dull domestic demand.

Severe cold weather prevailed over the Wheat Belt since the latter part of January but much of the area was sufficiently protected by snow cover to prevent material damage. In the Ohio Valley north of the river, wheat fields were mostly well protected but in the southern portion warmer weather and rain early in February removed most of the snow. Injury from freezing or smothering, however, does not appear to have become serious as yet. The upper Mississippi Valley and lake region were well protected and there was a good snow cover over the Great Plains southward to southern Nebraska. In Kansas, the ground has been largely bare in the southern half, with some soil blowing in the southwestern part, but wheat is dormant and not believed seriously damaged, except in the western third. Conditions in the Southwest, generally, are reported fair to good. In the South and Southeast cold weather has been detrimental to growth, and some damage is feared from freezing.

If the 530,000,000 bushel winter wheat production, indicated by the December crop report, materializes and the size of the spring wheat crop falls within a probable range of from 200,000,000 to 275,000,000 bushels total production would fall between 725,000,000 and 800,000,000 bushels. A crop of this size would provide a surplus available for export and result in domestic prices low enough to provide a shipping differential between the United States and Europe. The May future at Chicago has been running about 7 cents over the corresponding month at Liverpool, whereas the July future at Chicago is currently about 4 cents under the July Liverpool. With hard winter wheat commanding substantial premiums this season, cash prices would be expected to make greater adjustments than futures. No. 2 hard Winter at Chicago as well as at Kansas City has recently been averaging 13 cents over the May futures.

Total stocks of wheat in the United States on January 1 are estimated at 432,000,000 bushels compared with 439,000,000 bushels a year ago and 559,000,000 bushels in January 1934. These estimates include stocks on farms, commercial stocks, stocks in interior mills and elevators, and merchant mill stocks in mills and mill elevators, stored for others, and in transit. With a carry-over of 152,000,000 bushels on July 1, 1935, a crop of 603,000,000 bushels, and July - December imports of 21,000,000 bushels, a January 1 carry-over of 432,000,000 bushels would indicate total July - December disappearance at 344,000,000 bushels. The disappearance which might be expected from January to June depends upon the disposition of the lightweight spring wheat and also upon the amount of

imports. If the feeding of light wheat is not large and assuming that total imports for the year will be approximately 35,000,000 bushels, disappearance for the last half of the season might be expected to be about 310,000,000 bushels and July 1, 1936 stocks about 135,000,000 bushels.

The fixing of a high minimum price of wheat in Argentina has resulted in European buyers shifting to Canadian and Australian wheat. However, exports from Canada thus far have been considerably below expectations. On the other hand, Australia appears to be especially benefitting from Argentina's withdrawal, altho Australia's surplus is small this year. The trade estimated that one fourth of the Australian surplus has already been purchased by Europe. Inter-European wheat trade during the past month has remained small.

The acreage sown to wheat for the 1936 harvest in 14 countries for which reports have been received is 167,198,000 acres, an increase of 1.5 percent over the 164,793,000 acres sown in the same countries for the 1935 harvest. Practically all of the increase is in United States and Russia. Bulgaria and Hungary are the only other countries which have reported any increase thus far. The total for the 10 European countries now available is 51,671,000 acres, a decrease of 4.1 percent from the 53,900,000 acres in the same countries last year. Estimates are not available for the North African countries but dry weather at seeding time is reported to have reduced the area sown. The first estimate of the area in India is 32,763,000 acres, 1.2 percent below last year.

Crop conditions in several of the important wheat-producing countries of Europe are less favorable than for several years. Serious damage from rains has been reported in France. Crop conditions are also reported poor in Spain. Reports from Italy are conflicting but the outlook is considered unsatisfactory. Crop conditions in the Danubian countries are satisfactory but the mild weather has caused unusual growth and any drop in temperature may cause considerable damage. Dry weather in North Africa has reduced acreage and lowered conditions. In India, conditions appear quite satisfactory. The official report for the Punjab showed a condition above a year ago.

CORN AND OTHER FEED GRAINS

The downward adjustment in prices of feed grains appears to have been completed by the first of January and prices have been comparatively stable since then. Steady to somewhat higher prices are in prospect in the next few months, especially for the better grades. The feed crops this season, particularly corn, are of poor average quality. Market receipts of good quality corn have been insufficient to meet requirements, and commercial stocks have declined somewhat.

Farm prices of feed grains on January 15 were slightly higher than a month earlier. Corn averaged 53.5 cents, oats 25.9 cents and barley 38.6 cents per bushel in mid-January compared with 53.0 cents, 25.5 cents, and 37.5 cents, respectively, on December 15. All classes and grades of corn at five markets averaged 56.0 cents per bushel in the first week of January and 56.9 cents in the week ended February 8. No. 3 White Oats clung to a 30-cent level. No. 3 Barley at Minneapolis advanced from 58.0 cents, the average for the week ended January 4, to 61.3 cents for the week ended February 8.

Feed requirements, which were below normal in the first half of January because of the mild weather in nearly all parts of the country, increased sharply in the last half of the month and in the first half of February, particularly in the Central and Eastern States. West of the Rockies temperatures were mostly moderate. In response to the warm weather early in January, corn receipts increased but in the last half of the month they decreased. The January receipts of corn at 13 markets totaled 14,352,000 bushels; of oats, 5,653,000 bushels. Most of the corn receipts graded No. 5. These receipts each exceeded the average of the previous five Januarys. Shipments of feed grains from the markets were also larger than average. Corn grindings of 6,044,000 bushels for domestic consumption in January increased seasonally over those of 5,748,000 bushels for December. Receipts of barley at four markets totaled 6,142,000 bushels in January compared with 4,809,000 bushels a month earlier.

Receipts of feed grains were not sufficient to meet market requirements, particularly late in the month, and supplies decreased. Stocks of corn at 41 markets decreased from 8,158,000 bushels on December 28 to 6,482,000 bushels on February 8. Oats in the same period fell from 43,513,000 to 41,953,000 bushels, and barley from 18,088,000 to 16,833,000 bushels. Bonded stocks of Argentine corn in the various coastal markets at the same time decreased from 105,000 to 63,000 bushels.

With large supplies of hay and roughage and greatly reduced hog numbers, there is a widespread tendency to turn to cattle feeding to utilize available feed. The number of cattle on feed for market in the 11 Corn Belt States January 1, 1936 was 41 percent larger than the very small number on feed a year earlier. Despite this sharp increase, however, the number on feed was materially below the average for January 1 of the previous 5 years. The increases are greatest in the western part of the Corn Belt where the 1934 drought greatly reduced feeding operations and hog numbers are especially small. The number of lambs on feed for market at the first of the year in the principal feeding States was 5.4 percent, smaller than a year earlier

Imports of Argentine corn continue, and in the 4 weeks ended January 30 arrivals at Atlantic and Pacific Coast ports totaled 1,032,000 bushels, of which 785,000 bushels were received by West Coast ports. Nearly 96,000 bushels were received at West Coast ports in the first week of February. Prices of Argentine corn from spot stocks on either the Atlantic or the Pacific Coast ports continued under the local quotations for domestic corn.

A record area of 18,854,000 acres was seeded to corn in Argentina last fall. The condition of the crop is reported good, although there has recently been some damage from hot weather and locust attacks.

Less favorable soil conditions in Southern California and a probable shift of some barley acreage to wheat suggest a smaller seeded area of barley in California than a year ago. The 1935 harvested acreage in California of 1,182,000 acres was somewhat larger than average. Abundant rains since the first of January materially improved barley prospects in the Sacramento and northern San Joaquin Valleys, but taken as a whole, conditions in California are less promising than last year, when the unusually large crop of 36,642,000 bushels was harvested.

FLAXSEED

In years of small world flaxseed crops, such as the present one, domestic prices usually advance in the first half of the marketing season, reaching a seasonal high in February or March, with a downward trend during the remainder of the season. Although stocks of linseed oil and flaxseed are relatively large, the prospective rise in building activity indicates a good demand for linseed oil this spring. This situation will tend to retard the decline in flaxseed prices which might be expected otherwise. A sharp advance in the official minimum price of flaxseed in Argentina in December was accompanied by a rise of 7 cents a bushel in flaxseed prices in Minneapolis. Prices declined a little from mid-January to early February to about $1.85 a bushel. The United States average farm price of flaxseed in mid-January was $1.61 compared with $1.56 in December and $1.68 in January 1935.

The domestic flaxseed crop for 1935 is estimated at 14,931,000 bushels compared with 5,213,000 bushels in 1934. The 1935 carry-over, plus the crop, less prospective seed requirements of 900,000 bushels, makes a 1935-36 domestic commercial supply of 16,088,000 bushels compared with only 6,867,000 bushels a year earlier. The unusually large imports of 4,691,000 bushels in the July-September quarter were not quite so large as the crushings of nearly 6,000,000 bushels. Imports in the next quarter, October-December, however, were less than 4,000,000 bushels, whereas the crushings of 8,264,000 bushels were the largest for that quarter since 1929. If crushings during the next 6 months are at the same rate as in the last half of the 1934-35 season, the total for 1935-36 will be about 26,000,000 bushels.

While the disappearance of linseed oil declines seasonally in the October-December quarter compared with the previous 3-month period, the disappearance for all uses in October-December 1935, totaled 116,507,000 pounds, compared with 115,794,000 pounds in the July-September quarter. The disappearance this past quarter was nearly 35 percent greater than in the same period of last year. Factory and warehouse stocks of linseed oil, January 1, were 146,532,000 pounds compared with 113,721,000 pounds a year earlier. Paint, varnish, and lacquer sales in December were 25 percent larger than in that month last year, and the total sales for 1935 were 21 percent greater than those for 1934. The utilization of soybean, tung, and perilla oils in recent months was also larger than a year ago, particularly that of soybean oil.

The 1935-36 world production of flaxseed, based upon 19 reporting countries to date, may be placed at about 120,000,000 bushels, which is materially smaller than the 1934-35 harvest of 149,000,000 bushels. Argentina is expected to harvest only about 50,391,000 bushels, the quality of which is reported as poor to fair. Crop news from India, where new seed will become available in April, is generally favorable.

Top soil conditions in the flax-growing area of the United States are reported good, but the sub-soil is stil deficient in moisture. With other conditions about average, the 1936 crop may be expected to make a good start, but it will heed timely rains for average or better-than-average yields.

POTATOES

The supply of old crop potatoes available for market after January 1, this year is relatively small and indicates that the present level of potato prices is likely to be maintained or advanced slightly during the next 6 weeks. The trend of prices from April to July will depend largely upon the size of the early potato crop in the Southern States, which at present is indicated to be smaller than average and, therefore, may tend to strengthen late spring potato prices.

Stocks of old potatoes of merchantable quality held by growers, local dealers and buyers in the 37 late and intermediate States totaled 93,000,000 bushels on January 1, 1936 compared with 123,000,000 bushels held on January 1, 1935, and 96,000,000 bushels the 5-year January 1 average (1930-1934). The holdings this year are about the same as the 92,000,000 bushels held on January 1, 1934. In the 18 surplus States 1936 stocks totaled 85,000,000 bushels against 86,000,000 bushels in 1934; in the 12 other late States, 6,000,000 bushels compared with 4,693,000 in 1934; and in the 7 intermediate States 1,588,000 against 1,307,000 bushels in 1934.

In 1934, when stocks of potatoes were about the same as this year, potato prices rose slightly during the first 2 months to a peak in the latter part of February. In 1934 United States farm price of potatoes advanced from 77.2 cents per bushel on January 15 to 92.0 cents on March 15. New York l.c.l. prices rose from $2.00 per 100-pound sack the third week of January to $2.71 the first week of March, while Chicago car-lot prices rose from $1.65 per 100-pound sack the first week of January 1934 to $2.13 the first week of February. This year the January 15 farm price averaged 65.9 cents per bushel; the New York l.c.l. price, $1.66 per 100-pound sack; and the Chicago car-lot price, $1.30 the third week in January. During the week ended February 1 the New York price per 100-pound sack averaged $1.67 at New York and $1.37 at Chicago.

From March until July the trend of potato prices usually is dependent to a large extent upon the size of the commercial early crop in the Southern States. This year growers in these States indicated as of January 1, that they intended to decrease the acreage planted to potatoes 2-1/2 percent below the 1935 acreage and 12 percent below the average for 1930-1934. If these intentions are carried out, the 1936 acreage of

commercial early potatoes will total about 265,000 acres, or the smallest since 1933, when 252,600 acres were harvested. It is expected that decreases this year will occur in the first section of early States (Florida and Lower Valley of Texas), in the second early States (Arkansas, North Carolina, Oklahoma, and Tennessee), and in intermediate States (Kansas, Kentucky, Maryland, Missouri, Virginia, New Jersey, and Nebraska). The acreage in the second section of early States, (Alabama, California, Georgia, South Carolina, Louisiana, Mississippi and Texas other) is expected to be increased about 3-1/2 percent.

If these planting intentions are carried out, average growing conditions would result in an early potato crop of about 35,000,000 bushels this season compared with 38,094,000 bushels produced in 1935, 42,799,000 bushels in 1934 and 39,069,000 bushels the 1930-1934 average. While the size of this crop depends upon the actual acreage planted and upon the kind of growing conditions prevailing this spring, the smaller supply of new potatoes now indicated is a favorable factor in the late spring price situation. Because of the unusual cold weather in recent weeks, planting in some of the Southern States has been delayed slightly and this may have a tendency to cause a reduction in the total acreage planted.

No reports on planting intentions of potato growers in the late States are available, but, if these growers respond to prices received as they have in the past, it is likely that the late potato acreage will be decreased materially this season. The relatively low prices received for potatoes during the last two seasons would indicate a reduction in the 1936 potato acreage, possibly as much as 10 percent. If such a reduction in acreage materializes, if growing conditions are no better than average, and if the present level of demand is maintained, it is probable that the late crop prices will average somewhat higher this fall and winter than in the last two seasons.

TOBACCO

In general, prices for the 1935 crop gave tobacco about the same purchasing power per pound as the average for the 10 years August 1919 - July 1929. Price changes throughout the season have been similar to those in other recent years. Flue-cured prices sagged about the middle of the season, owing to lower quality, but after regaining these losses, late season prices declined no more than usual notwithstanding the fact that the crop was somewhat larger than anticipated. To date, Burley prices have declined earlier than in other years owing to the shortened marketing season, but the late season decline will probably be no greater than usual.

To February 8, approximately 798,000,000 pounds of flue-cured tobacco had been sold over auction warehouse floors for an average price of 20.3 cents per pound. Comparable sales for 1934-35 were 552,000,000 pounds for an average price of 27.3 cents per pound. Virtually all of the 1935 crop has been sold, and returns to growers exceed the returns from the 1934 crop by approximately 7.5 percent. The present United States supply of flue-cured tobacco is the second largest on record. However, foreign stocks are reported to be very low, and, except for the 3 years, 1928-1930, exports from September through December were the largest on record.

Sales of tobacco by types for the season to early February 1, 1935 and 1936

Type	Sales for 1934-35 season to Feb. 9, 1935		Sales for 1935-36 season to Feb. 8, 1936	
	1,000 pounds	Cents per pound	1,000 pounds	Cents per pound
Flue-cured:				
Old belt type 11-a	127,066	27.34	178,462	20.04
Middle belt type 11-b	68,170	30.07	104,883	20.62
Eastern North Carolina type 12..	218,011	29.86	286,840	21.10
South Carolina belt type 13	103,281	22.73	154,868	19.63
Georgia and Florida type 14	35,001	18.81	73,084	18.95
Total, flue-cured	551,529	27.27	798,137	20.32
Fire-cured:				
Virginia fire-cured type 21	13,643	12.66	11,673	10.85
Clarksville and Hopkinsville, type 22	18,619	12.69	18,964	10.25
Paducah type 23	13,813	10.84	9,107	8.77
Henderson type 24	2,507	10.35	1,421	6.42
Total, fire-cured	48,582	12.03	41,165	9.77
Burley type 31	224,995	17.17	213,697	19.35
Dark air-cured:				
One sucker type 35	12,638	7.14	11,075	7.95
Green River type 36	13,160	9.31	9,874	7.45
Virginia sun-cured type 37	1,889	9.66	2,106	10.61
Total, dark air-cured	27,687	8.34	23,055	7.98
Cigar filler:				
Pennsylvania seedleaf type 41...	---	---	54	11.91
Miami Valley types 42-44	---	---	1,153	8.48
Total cigar filler	---	---	1,207	8.64
Cigar binder:				
Connecticut Valley Broadleaf, type 51	---	---	2,756	18.69
Connecticut Valley Havana seed, type 52	---	---	3,960	17.36
New York and Pennsylvania Havana seed type 53	---	---	218	9.92
Southern Wisconsin type 54	---	---	843	7.02
Northern Wisconsin type 55......	---	---	2,843	7.18
Total cigar binder	---	---	10,620	14.01

Compiled from reports of Agricultural Adjustment Administration Field Assistants. Data for cigar-leaf for 1934-35 season not available.

Sales of fire-cured tobacco for the season to February 8 have totaled 41,000,000 pounds. This quantity sold for an average price of 9.8 cents per pound compared with 12 cents per pound for the 49,000,000 pounds sold to the same date last year. Prices for all types are below last year and the total income from the sale of fire-cured tobacco will not be as high in 1935-36 as in 1934-35.

Approximately 214,000,000 pounds of Burley tobacco were sold over auction warehouse floors prior to February 8 for an average price of 19.4 cents per pound. Similar sales for the 1934-35 season were 225,000,000 pounds for an average price of 17.2 cents per pound. Reports from the various markets indicate that little Burley remains to be sold and that the price for the 1935 crop will be approximately 2.5 cents per pound higher than for the 1934 crop. This indicates that the income from the 1935 crop will be approximately 13 percent higher than that from the 1934 crop and higher than for any other crop since 1930.

Approximately 23,000,000 pounds of dark air-cured tobacco have been sold for an average of 8 cents per pound. Similar sales in 1934-35 were 27,687,000 pounds for an average of 8.3 cents per pound. Prices for one sucker and Virginia sun-cured are above those of last year, but the price for Green River is nearly 2 cents lower.

Around 12,000,000 pounds of cigar filler and binder tobacco have been sold to February 8. Comparable sales for the 1934-35 season are not available, but average prices for this much of the 1935-36 season are above last year's average for the season. (See table on page 11)

HOGS

The rise in hog prices which immediately followed the discontinuance of the hog processing tax in early January was checked temporarily by the marked increase in hog marketings during the second and third weeks of the month, but the advance was resumed when marketings fell off in late January and early February. Prices during the second week of February reached the highest level since early October 1935. Supply conditions indicate that the seasonal decline in prices, which usually occurs during the spring as a result of the marketing of increasing numbers of fall-farrowed pigs, is likely to begin somewhat earlier than usual and may be somewhat greater than average. Hog slaughter during May and June is expected to represent a larger than average proportion of the yearly total and slaughter in September also may be large in relation to other months of the year.

The weekly average price of hogs at Chicago rose from $9.36 per 100 pounds in the first week in January to $9.78 in the second week. Little change occurred in the third week but further improvement occurred during the remainder of the month and in early February. The weekly average during the first week in February was $10.30 and further advances occurred during the second week. The advance was much greater on heavy hogs and packing sows than on light hogs, prices of packing sows rising about $1.20 per 100 pounds, those of heavy butchers about $1 and those of light hogs from 60 to 80 cents.

Hog slaughter under Federal inspection during January increased much more than usual over that of December, the large increase being due to the efforts of farmers to rush hogs to market following the discontinuance of processing taxes. The January total of 3,428,000 head was 19.2 percent larger than that of December and 12.5 percent larger than that of January 1935, but was 27 percent less than the 5-year average for the month. This is the first month since October 1934 that slaughter has exceeded that of a year earlier. Average weights in January were only slightly heavier than in December but were considerably heavier than in January of last year. The weighted average for seven leading markets was 232 pounds, or 19 pounds heavier than a year earlier.

The January average of corn prices at Chicago was slightly higher than that of December but the rise was relatively the same as that of hog prices, consequently the hog-corn price ratio for January of 16.2 was the same as that for the previous month. The January average last year was 8.5. This year the ratio increased from 15.4 the first week in January to 16.9 the first week in February.

The large increase in hog slaughter during the first 2 weeks following the discontinuance of processing taxes caused a sharp drop in prices of all hog products. The decline in prices of cured products continued into February but this was in part seasonal as prices of such products usually reach their seasonal low during this month. The composite wholesale price of hog products at New York in January was $21.74 per 100 pounds compared with $23.28 in December and $18.54 in January last year. The index of retail prices of hog products in that city on January 31 was 94.5 compared with 98.6 on December 31 and 77.7 on January 31, 1935 (1924-1928 = 100).

Because of the large increase in hog slaughter, storage holdings of hog products increased somewhat more than usual during January. The increase in pork amounted to 109,000,000 pounds and that of lard amounted to 23,000,000 pounds. Notwithstanding these increases, the total holdings of both pork and lard on February 1 were relatively small. Stocks of pork, amounting to 436,000,000 pounds, were 35 percent less than a year earlier and the 5-year February 1 average. Stocks of lard, totaling 76,000,000 pounds were 32 percent less than on February 1, 1935, and 20 percent less than the 5-year average for that date.

The large increase in hog slaughter in January probably represented to a large extent a considerable number of hogs that normally would have been marketed in February. The supply for February, therefore, has been reduced from what it otherwise would be and this will cause February prices to be somewhat higher than they would be had marketings been distributed in a more normal manner. It is doubtful if March slaughter will be changed because of the discontinuance of processing taxes unless producers hold back gilts for breeding which originally would have gone for slaughter in February and March. In this case it will tend to reduce March slaughter slightly. The large increase in the 1935 fall pig crop is expected to result in hog slaughter in May and June being unusually large in relation to the slaughter of other months of the current marketing year. Slaughter in September also is likely to be large in relation to other months because of the tendency to market 1936 spring pigs as quickly as possible.

CATTLE

Increased supplies of the better grades of slaughter cattle may result in some weakness in prices of such cattle, but during the next 6 months the effect on prices of the increased supplies is likely to be offset in considerable part by the improvement in consumer demand. Market supplies of cows probably will be reduced somewhat in 1936 from the unusually large marketings of 1935. This decrease in supplies and the improved demand conditions are likely to result in higher prices of low grade steers and of butcher cattle generally in the first half of 1936. Higher prices for the lower grades of slaughter cattle also will be a supporting influence to prices of stocker and feeder cattle.

Prices of choice grade slaughter steers weakened during early January, but there was some recovery in prices during the remainder of the month. Prices of the other grades of steers tended to advance throughout the month. However, the average price of all grades of beef steers at Chicago in January of $9.30 was about 50 cents lower than in December and about the same as a year earlier. Despite the fact that the weighted average price of all grades of steers at Chicago was only about the same as a year earlier, the average price of each grade was somewhat higher than in January last year. The larger proportion of the lower grade steers in the total supply in January this year accounts for the fact that the January weighted average was no higher than in January 1935. In early February prices of choice grade steers declined sharply and prices of the other grades also declined somewhat. The average price of each grade of steers, except the common grade, in the first week of February was below that of a year earlier, and the weighted average price of all grades of steers was about $1.40 below that of the first week of February last year. In late January and early February, 1935 prices of all grades of slaughter steers advanced materially.

Prices of cows and of stocker and feeder cattle were about steady during January, but prices of both were materially higher than in January last year. The United States average farm price of beef cattle on January 15 was $6.22 compared with $6.14 a month earlier and $5.06 a year earlier. A sharp advance in the price of veal calves occurred in late January and in early February the average price of good and choice veal calves at Chicago of about $11.00 was about $2.50 higher than a year earlier. The average farm price of veal calves on January 15 was $8.15 compared with $7.86 on December 15 and $5.84 on January 15, 1935.

Receipts of cattle at the seven leading markets in January were about 8 percent smaller than in December, but they were about the same as the receipts at the same markets excluding "Government" cattle in January 1935. Inspected slaughter of cattle in January totaling 906,000 head was slightly larger than in December and 11 percent greater than the slaughter for commercial purposes in January 1935. Cattle slaughter in January this year was the second largest for the month on record. Slaughter of calves under Federal inspection in January amounted to about 465,000 head which was slightly smaller than in December and in January last year. The total number of beef steers sold out of first hands at Chicago in January was slightly smaller than a year earlier and was the smallest for the month in the 15 years of record. Chicago receipts of steers during the month, however, showed a slight increase compared with December, with the increase occurring largely in receipts of medium grade steers. It is probable that marketings of short-fed steers which usually go into the medium and good grades will continue to increase in the next few months.

In 1935, as in other years when cattle prices rose sharply, imports of cattle and beef increased considerably. Imports of cattle by the United States inspected for entry by the Bureau of Animal Industry totaled about 419,000 head last year compared with only 69,000 in 1934. Imports last year were the largest since 1929, when they totaled 509,000 head. About 291,000 head of the total 1935 imports came from Mexico and about 125,000 from Canada. United States imports of canned beef in 1935 also were larger than in any year since 1929. Despite the large increase in imports of both cattle and beef, such imports were small in relation to the domestic production. When converted to a live-weight equivalent, imports of cattle and beef combined in 1935 were equal to only about 6 percent of the total live weight of cattle and calves slaughtered under Federal inspection.

LAMBS

Slaughter supplies of sheep and lambs in the remainder of the fed-lamb marketing season (to May 1, 1936) probably will be somewhat smaller than a year earlier in view of decrease in the number on feed. Prices of lambs in this period are likely to be well maintained at or near the level established in December and January. Such a level of prices would be from $1.50 to $2.00 higher than that of last winter and will reflect not only the improved consumer demand for lamb, but also the higher prices for wool and pelts.

Prices of lambs tended to decline in late December and the first half of January. After reaching a top of $11.90 at Chicago in mid-December lamb prices declined to a top of $10.40 in the third week of January. In late January and early February, however, some recovery occurred with the top price at Chicago reaching $11.00. The average price of good and choice slaughter lambs at Chicago for the month of January was $10.48 compared with $10.92 in December and $8.81 in January 1935. The United States average farm price of lambs on January 15 was $8.25 compared with $8.15 on December 15 and $6.21 a year earlier. Prices of slaughter ewes also declined during January, but prices of yearlings were about steady.

Receipts of sheep and lambs at the seven leading markets in January were about 25 percent larger than in December and slightly larger than in the corresponding month a year earlier. As in other recent months sheep represented a much larger than usual proportion of the total market receipts of sheep and lambs. Inspected slaughter of sheep and lambs totaling 1,540,000 head was 12.5 percent greater than in December, and 14.5 percent greater than in the corresponding month a year earlier. Slaughter in January this year was the second largest for the month on record.

The number of lambs (including sheep) on feed on January 1, 1936 in the principal feeding states was estimated to be 5.4 percent smaller than the number on feed on January 1 last year. The decrease in lamb feeding was mostly in the Corn Belt. In this area, however, there was a wide variation in the change from last year. In the Eastern Corn Belt the estimated number of lambs on feed was about the same as that a year earlier, with all of the decrease occurring in the Western Corn Belt. In Minnesota, Iowa, and Kansas the number on feed was materially smaller than last year, while in the remaining Western Corn Belt States the number was larger. The estimated number of lambs on feed in the Western States including Texas, Oklahoma, and North Dakota, on January 1 this year, was slightly larger than a year earlier. In seven of the Western States increases were estimated and in an equal number decreases were estimated. A substantial increase in lamb feeding was reported in Colorado, the most important Western feeding State.

BUTTER

Butter prices in January averaged somewhat higher than in December. During the first 2 weeks of the new year prices declined about 3 cents per pound, but during the last half of January and early February the severe weather curtailed production and market receipts, and prices rose to about the level of early January. Farm prices of butterfat are relatively high compared with feeds, but low compared with meat animals. Production of butter in December showed considerably more than the usual seasonal increase over November, and with present price relationships between butterfat and feeds favorable for dairy production, the outlook is for at least the usual seasonal increase in production during the remainder of the feeding period. The seasonal decline in prices from January to mid-summer will probably be less than in 1935.

The price of 92-score butter at New York in January averaged 34.6 cents per pound; this was 0.6 cents higher than in December and only slightly higher than a year earlier. Butter prices in January usually average somewhat lower than in December, but this year the severe weather during the latter half of the month tended to retard production.

The farm price of butterfat in mid-January of 33.5 cents was 0.5 cents higher than a month earlier and 3.0 cents higher than a year earlier. The farm price of butterfat in mid-January was equivalent to the price of 36.4 pounds of feed grains compared with 18.9 pounds a year earlier and the 1920-1934 January average of 33.1 pounds. Butterfat prices are also high compared with hay and by-product feeds, but are low compared with beef cattle and hogs.

Estimated production of creamery butter in December of 105,900,000 pounds was 1.4 percent less than a year earlier and the smallest for the month since 1929. Total production of the principal manufactured products in December, however, was 3 percent larger than in December 1934. Butter production in December was 10 percent larger than in November. This increase was about twice as great as the usual seasonal increase between these same 2 months. It is probable that the seasonal increase in production will continue and production during the remainder of the feeding period will be greater than in the same months of 1935.

Trade output of creamery butter in December was 2.5 percent less than a year earlier. In December 1934, however, there was a considerable volume of relief butter and relatively little this year, so that trade output through regular commercial channels was larger than a year earlier. The changes in trade output, exclusive of relief butter, and retail prices indicate that consumer expenditures for butter in December were 16 percent larger than in December 1934.

Storage stocks of butter on February 1 were 21,500,000 pounds compared with 18,900,000 pounds a year earlier and the 5-year February 1 average of 36,400,000 pounds.

The price margin between 92-score butter at New York and New Zealand butter in London in early February was 14.9 cents. During January the margin averaged 13.5 cents, compared with 16.4 cents a year earlier. Price relationships are not as favorable for importation as a year earlier, and it is not probable that they will be as favorable during the remainder of the winter.

CHEESE

Cheese prices have declined sharply since the first of the year. Cheese production has been relatively large and even though consumption has also been high, stocks continue large. The decline in cheese prices since early January makes cheese relatively low in price compared with butter, which will tend to reduce production as compared with butter. It is unlikely that cheese prices will continue as low in relation to butter as in early February.

The price of cheese (twins) on the Wisconsin Cheese Exchange in January averaged 16.1 cents, about a cent lower than a month earlier, but 2.0 cents higher than in January 1935 and the highest for the month since 1930. The price declined from 17 cents in early January to 14.0 cents in early February.

Estimated production of cheese in December of 38,800,000 pounds was a new high for the month, and 27 percent larger than a year earlier. Total production for the year 1935 was 3 percent higher than the preceding high for yearly production. During the latter part of 1935 cheese prices were high compared with butter, which tended to stimulate cheese production as compared with butter.

Trade output of cheese in December of 47,100,000 pounds was 13 percent larger than a year earlier and 20 percent above the 1925-1929 average. Government distribution for relief was larger in December 1934 than in the same month of 1935 so that trade output through regular commercial channels was up 16 percent. Retail prices of cheese in December were 15 percent higher than a year earlier. These changes show an increase of about 33 percent in consumer expenditures for cheese compared with the relatively low level a year earlier.

Stocks of American cheese are relatively large. Cold storage holdings on February 1 were 78,200,000 pounds compared with 71,000,000 pounds a year earlier and the 5-year February 1 average of 60,600,000 pounds.

Trade reports indicate some increase in cheese imports from Canada under the reduced rate. In December, however, total imports of cheese of 3,000,000 pounds were about 15 percent less than a year earlier. Total imports for the year 1935, however, exceeded 1934 by only 3 percent.

POULTRY AND EGGS

Market prices of eggs continued to decline in January. With receipts much above those of a year earlier, prices are somewhat lower than at the same time in 1935, the effect of the improved demand situation partially offsetting the influence of larger supplies. There is slight probability that egg prices in February or March will exceed those of a year earlier. Relatively short poultry receipts continued to strengthen poultry prices. This advance in poultry prices is likely to continue to mid-spring.

The market price of special packed mid-western eggs at New York averaged 27.9 cents per dozen in January 1936 compared with 32.3 cents a month earlier and 32.9 cents in January 1935. Farm prices averaged 22.8 cents on January 15, 1936, or 2.2 cents below that of a year before. Farm prices of chickens on January 15, 1936 were 16.5 cents per pound compared with 16.0 cents a month before and 12.4 a year before.

Receipts of eggs at the four markets in January were 820,000 cases compared with 684,000 cases a year before and the 5-year average of 849,000 cases. While spring egg receipts are likely to continue high relative to 1934 and 1935, the extreme cold of late January and early February may reduce them temporarily.

Receipts of dressed poultry at the four markets in January were 19,600,000 pounds compared with 21,000,000 pounds a year earlier and the 5-year average of 27,200,000 pounds. Since receipts of poultry are likely to continue unusually light until May, at least, there will be a stronger demand than usual for storage poultry. Storage stocks of frozen poultry, however, are below those of last year and the 5-year average, being 104,000,000 pounds on February 1, 1936 compared with 122,300,000 pounds a year earlier and a 5-year average of 112,000,000 pounds.

Storage stocks of shell eggs on February 1 were 159,000 cases compared with 39,000 cases a year earlier and a 5-year average of 312,000 cases. Frozen eggs, in case equivalents, were 1,713,000 cases compared with 1,506,000 cases a year earlier and a 5-year average of 1,698,000 cases.

WOOL

Wool prices advanced in January and the early part of February both in the domestic and foreign markets. Available supplies of domestic wool are very small and, since the new domestic clip will not be available until April or May, prices are likely to remain near the present levels for the next few months. The restricted supply of domestic wool on the spot market is reflected in early contracting for 1936 wool in the Western States as well as in increased purchases abroad for import by Boston dealers. Sales of spot foreign wools at Boston have increased recently. Mill activity continues high in the United States and in the United Kingdom. Consumption of apparel class wool, scoured basis, by United States mills in 1935 was 81 percent larger than in 1934 and was the largest in any year since 1923.

Prices at the first 1936 series of wool sales at London, which closed January 30, were mostly 5 to 10 percent higher than at the close of the previous series on December 6. Prices of most wools in London are now at the highest level since May 1934. Only 95,000 bales were available for the January series, a decrease of about 29,000 bales compared with the quantity available for the corresponding series last year. Demand at the recent sales was very strong.

Consumption of wool continues exceptionally large in the United Kingdom. The position of the continental European wool industry at the end of 1935, however, was not so favorable as that in Great Britain. In Belgium and France conditions in the wool industry appeared fairly satisfactory. But it seems probable that the low level of mill activity in Italy will continue and a decline in wool consumption in Germany is likely.

Quotations for fine (64s, 70s, 80s) strictly combing territory wool at Boston averaged 93 cents a pound, scoured basis, for the week ended February 8 compared with 87 cents a month earlier and 76 cents a year earlier. Territory 56s averaged 81.5 cents a pound the first week in February compared with 76.5 cents the week ended January 11 and 66 cents for the week ended February 9, 1935. The United States average farm price of wool on January 15 was 24.1 cents a pound compared with 23.3 cents on December 15 and 18.8 cents on January 15, 1935.

Stocks of apparel class wool in the United States, exclusive of all wool held by growers, reported to the Bureau of the Census as of December 31 were about 113,000,000 pounds, scoured basis, compared with 170,000,000 pounds reported on December 31, 1934, a reduction of 33 percent. The stocks on December 31, 1935 were the equivalent of about 194,000,000 pounds of shorn wool, greasy shorn basis, and about 39,000,000 pounds of pulled wool, greasy pulled basis.

The decline in consumption of wool by United States mills in December was somewhat more than seasonal. Nevertheless the December consumption was larger than in December of any year since 1922. The average rate of consumption in the 5 weeks ended December 28 was 5,546,000 pounds, scoured basis, compared with 6,882,000 pounds in November and 4,428,000 pounds in December 1934. Consumption for the year 1935 was about 567,000,000 pounds of shorn wool, greasy shorn basis and 92,000,000 pounds of pulled wool, greasy pulled basis.

Imports of wool by the United States have increased sharply in the last few months. Imports of apparel class (combing and clothing) wool were 5,315,000 pounds in December compared with 4,370,000 pounds in November and 1,536,000 pounds in December 1934. The December imports were greater than for any month since October 1933. For the year 1935, imports of such wool were 28,957,000 pounds compared with 23,156,000 pounds in 1934. Imports of carpet class wool in 1935 were 171,504,000 pounds compared with 85,187,000 pounds in the previous year. Imports for consumption of carpet wool in 1935 were probably greater than in any previous year. Imports of apparel class wool, however, are far below imports for the years prior to 1931.

Apparent supplies of wool for disposal in the five principal producing countries of the Southern Hemisphere on January 1, 1936 were at least 14 percent smaller than a year ago and 3 percent below the average quantity on that date in the 5 years 1930-1934. Exports from the same countries for the season up to January 1 amounted to 682,000,000 pounds compared with 559,000,000 pounds for the same period last season and the preceding 5-year average of 735,000,000 pounds.

COTTON

Considering the developments of the past 6 weeks, cotton prices have remained comparatively stable. The low point of Middling spot cotton at 10 markets was 11.26 on January 9 and the high 11.81 on January 2. Following the sharp drop in the second week of January, the price recovered and fluctuated from 11.55 to 11.77 until the last day of the month, when a fall to 11.39 took place. The average for the week ended February 8 was 11.38.

Bullish factors include a growing belief that only a medium sized crop is to be reasonably expected for next year; a high level of textile activity; a rising stock market and an accompanying improvement in general business conditions; a small supply of free cotton in private hands in the United States; and a substantial improvement in exports. Factors which may be considered as having had a bearish influence upon cotton prices are cold weather and weevil-killing temperatures throughout a large part of the Belt; the discontinuance of the agricultural control program and the uncertainty as to whether any effective substitute program will be devised for the 1936-37 crop; continued large supplies of foreign cotton and the likelihood of further increases in foreign production; a domestic mill production in excess of consumption, with uncertainty as to the immediate future of domestic demand; and the fear of liquidation of Government holdings.

The large supplies of American cotton still on hand and the large increases in foreign production make world cotton supplies still large relative to demand as compared with the situation which existed before the depression. The world production of all cotton for the present crop year is now estimated at about 25,600,000 bales of 478 pounds net. This is roughly 2,000,000 bales more than the very small crop of 1934-35. With the domestic crop officially estimated at 10,734,000 bales, foreign production is placed at 14,866,000 bales or 880,000 bales larger than the previous record crop in 1934-35.

Notwithstanding the supply situation throughout the world as a whole, the supply of "free" cotton in the United States for the balance of the current year is rather small, amounting at the end of January to about 5,500,000 bales. Should domestic and foreign demand continue at their present levels (allowing for seasonal movement) it would just about absorb this supply. It appears that the end of the present season will see a reduction of at least 1,000,000 bales in the total world carry-over of American cotton.

According to the New York Times Index, general manufacturing activity has, in recent months, been running above the average recorded in the predepression years of 1922 to 1927. Domestic cotton spinning operations are running close to the average in that period. This is true in spite of the shortening of the work week since 1933 from 5-1/2 to 5 days. During the last few months, domestic consumption of cotton has been running at a higher rate per week than at any time since pre-depression years. In the first half of the current season, consumption totaled about 3,007,000 bales, which is at the rate of about 6,000,000 for the season. Last season, consumption of American cotton in domestic mills amounted to 5,241,000 bales. The position of the mills during January, however, was not quite so strong with respect to activity and considerably weaker with respect to stocks and forward

orders than was the case during December. Average mill activity during January of this year of about 95 percent of the 1922-1927 level is about the same as or slightly lower than a year ago and about 6 points lower than that for December of this year. Cotton consumption in January amounted to about 591,000 bales compared with 551,000 bales in January last year.

The slowing down of the goods market, with a resulting tendency to reduce orders and accumulated stocks, has been partly seasonal and partly in anticipation of and, subsequently, in consequence of the Supreme Court decision in the Agricultural Adjustment case. The week following the decision trade was practically at a standstill as a result of uncertainty as to what action should be taken with reference to processing taxes.

In foreign countries as a whole, mill activity and cotton consumption are remaining about the same as a year ago, and during the current season to date they have averaged about the same as for the same period last season. With foreign industrial production higher than a year ago and cotton prices relatively low, it is not surprising that cotton consumption and mill activity have been maintained at a relatively high level. Lower relative prices for American cotton as well as the high level of activity have helped to increase foreign consumption of American cotton, which in November and December 1935 was 17 percent above the level of a year earlier. The Sanctions policy and the consequent disruption of Italian export trade has reduced mill activity and made the buying of cotton more difficult for that country.

British mill activity continues at a relatively high rate. American cotton constitutes a much larger percentage of their total consumption than was the case a year ago. During the 4 weeks ended January 23 American cotton constituted 57 percent of the total forwardings to mills, while last year it constituted only 33 percent. British importers have no difficulty in obtaining dollar exchange and the lower prices for American cotton relative to other growths make it more attractive.

Continental mill conditions continue fairly good with little change from last month. The improved position of American cotton this season as compared with last continues to show up with forwardings of American cotton from Continental ports to Continental mills 296,000 bales for the 4 weeks ended January 27 compared with 169,000 in the same period last year. In the Orient, forwardings of American cotton in the above 4-week period fell as compared with last year, being only 117,000 bales compared with the comparatively high level of 178,000 in the same period last year. This is in agreement with the general tendency of Oriental takings this year to fall below last season's record high.

Exports during January were 526,000 bales compared with 877,000 in December and 466,000 in January of last year. Total exports for the season to January 31 amounted to 3,986,000 bales or about 39 percent more than for the same period last year but 19 percent less than for the same period 2 years ago. The lower prices for American cotton relative to foreign cotton have a real bearing on this improvement in exports. Other factors have been an improvement in consumption as a result of improved business conditions with a high level of cotton mill activity and depleted stocks of American cotton in foreign countries.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory pay-rolls 2/	Factory em-ployment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 4/: 1910-1914 = 100	Commodity prices: United States: Wholesale 4/: 1926 = 100	Commodity prices: Foreign 5/: In foreign currency	Interest rates in per-cent 6/	Industrial stock prices in dollars 7/
	1923-1925 = 100								
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	106	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	97	4.01	176
1928	111	102	99	149	141	97	97	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	83	3.56	236
1931	81	68	77	87	107	73	73	2.58	139
1932	64	46	64	65	95	65	69	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1933 -									
Mar.	59	37	59	55	88	60	67	3.06	58
1935 -									
Jan.	91	64	79	107	115	79	71	.88	103
Feb.	89	69	81	111	116	80	71	.88	103
Mar.	88	71	82	108	116	79	71	.88	100
Apr.	86	71	82	111	117	80	71	.81	106
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	70	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	75	85	109	118	80	73	.75	135
Nov.	98	74	85	108	118	81	74	.75	144
Dec.	103	77	85	110	118	81	74	.75	142
1936 -									
Jan.				109	117	80		.75	146

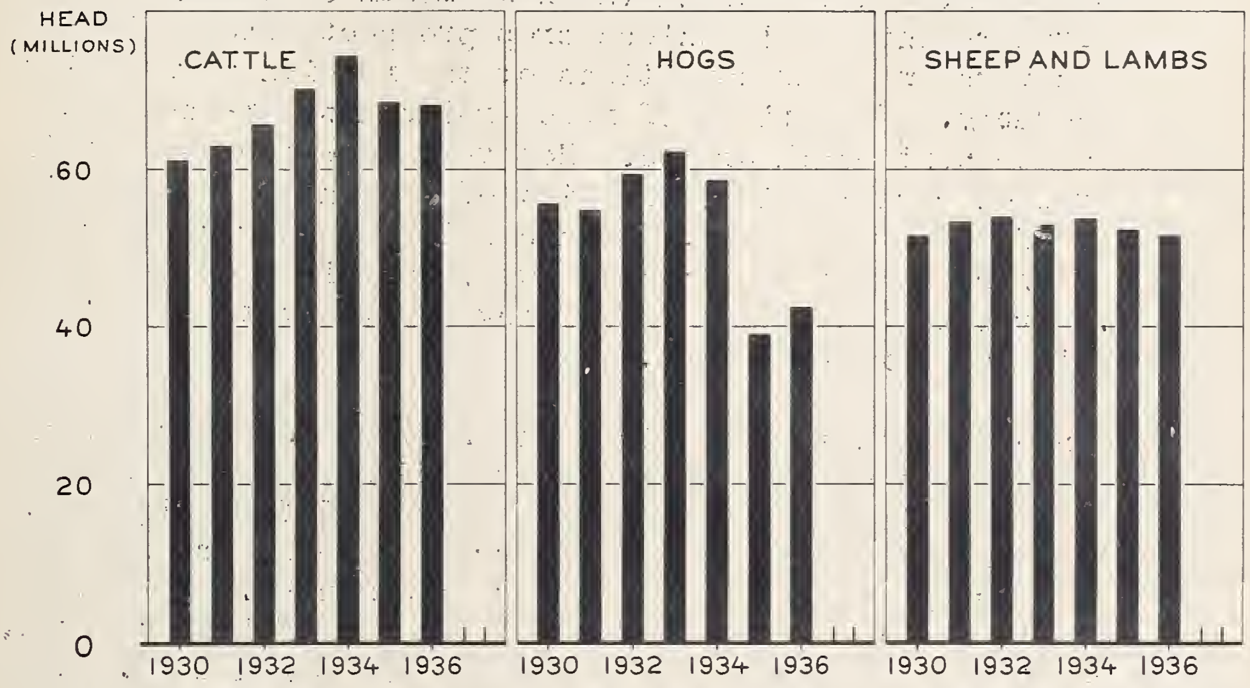
1/Federal Reserve Board index, adjusted for seasonal variation.
2/Bureau of Labor Statistics indexes, without seasonal adjustment.
3/Bureau of Agricultural Economics, August 1909-July 1914 = 100.
4/Bureau of Labor Statistics index.
5/Weighted average of index for seven foreign countries(recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
6/Harvard Economic Service, average of daily rates on commercial paper in New York City.
7/Dow-Jones index is based on daily average closing prices of 30 stocks.

The PRICE SITUATION

MARCH
1936

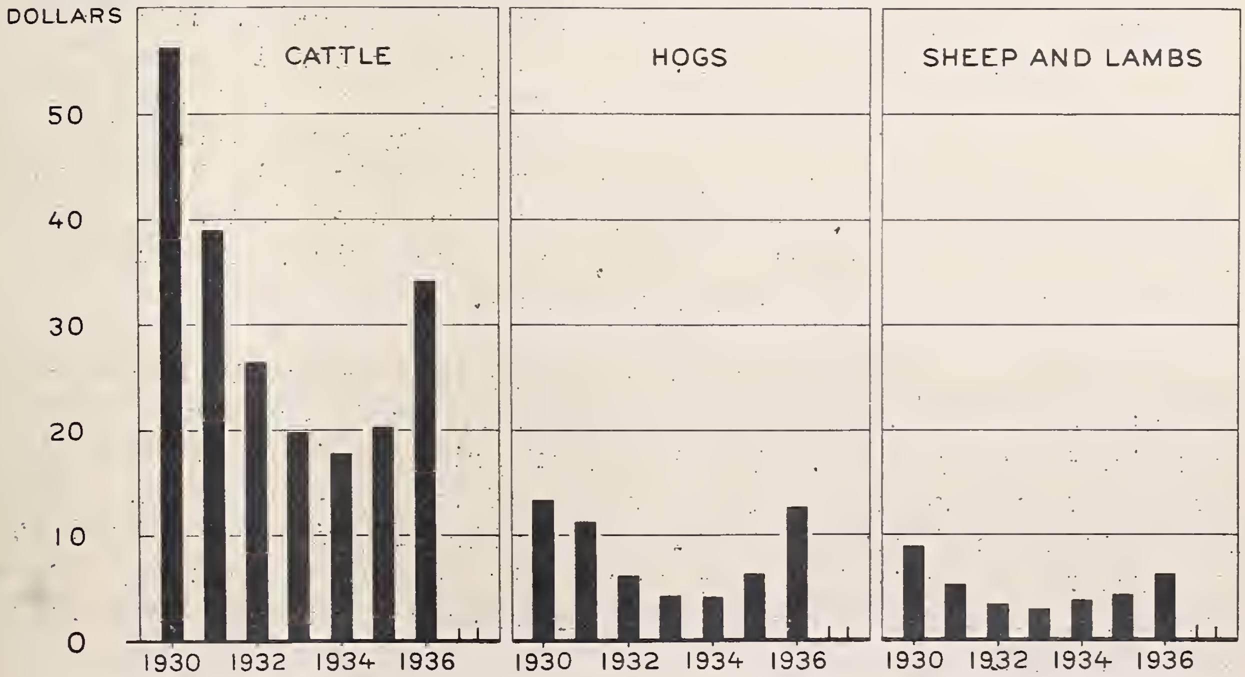
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON

LIVESTOCK: NUMBER ON FARMS JANUARY 1, 1930 TO DATE



U. S. DEPARTMENT OF AGRICULTURE NEG. 29975 BUREAU OF AGRICULTURAL ECONOMICS

LIVESTOCK: VALUE PER HEAD ON FARMS JANUARY 1, 1930 TO DATE



U. S. DEPARTMENT OF AGRICULTURE NEG. 29976 BUREAU OF AGRICULTURAL ECONOMICS

FARM PRICES

The general level of farm prices is somewhat lower than in mid-February. Prices of hogs, dairy products, eggs, cotton and some other products have declined. Grain prices, on the other hand, have risen a little. Income from sale of farm products apparently declined more than seasonally from January to February, owing to a marked drop in the income from grains, cotton, tobacco and livestock which more than offset the increased income from apples, citrus fruits, potatoes, and truck crops. However, no great change from the usual seasonal changes in farm income are to be expected in the next few months.

Domestic wheat prices during the next month or two are not likely to vary much from recent levels unless crop prospects should be affected materially by adverse weather conditions or the foreign market situation changes considerably. The prices of feed grains also are not expected to change much in the next month or two. However, some improvement in the demand for seed corn is likely in view of generally poor germination and a scarcity of high grade corn. Potato prices have receded somewhat from their temporary rise when shipments were curtailed owing to the cold weather. Present indications point toward steady to slightly higher potato prices in the next few weeks.

The downward trend in hog prices in the last month is likely to continue for the next 3 months as prices are adjusted to the seasonal increase in slaughter from the relatively large 1935 fall pig crop. Cattle supplies, especially of medium low grade steers, are expected to continue relatively large for the next 2 or 3 months. Although cattle prices are not likely to decline much below the late February level, any recovery is contingent upon an improvement in consumer demand. A considerable early movement of new crop lambs from California, Arizona, and Texas is in prospect. Prices of new crop lambs are likely to be somewhat higher than a year earlier. Prices of butter and eggs, which had a contra-seasonal rise during the recent cold spell, declined sharply with the return of warmer weather. Butter production is expected to continue larger than a year ago for the next several months, with a continued seasonal decline in the prices of dairy products. Wool prices may remain near present levels until a new domestic clip begins to be marketed in volume in May. Prices of most grades of domestic wool at Boston are now the highest since 1929, and wool prices are likely to near present levels for the next few months.

The general level of prices received by farmers in mid-February of 109 percent of the pre-war level was the same as in January and two points less than in February 1935. The level of prices paid by farmers has been steady for several months at 122 percent of the pre-war level compared with 127 percent in February 1935. The ratio of prices received to prices paid by farmers at 89 in February was a little higher than a year earlier, in consequence of the greater decline in prices paid than in prices received by farmers.

WHOLESALE PRICES

The general level of wholesale prices dropped about 2 points in late February and early March to 116 percent of the pre-war average. Nearly all of this drop was due to the decline in prices of farm products and foods. Owing to the prolonged and widespread cold and snow, prices of dairy products and eggs rose in January and the first 3 weeks of February, when they usually decline seasonally. Consequently, the return of warmer weather since then has been accompanied by an abrupt decline in prices of these products. The trend of the general level of wholesale prices for the remainder of 1936 is expected to be determined largely by the course of prices of farm products and foods. Prices of these products are likely to continue their downtrend to mid - year barring markedly adverse crop conditions - with a moderate rise in the latter part of 1936.

Although wholesale prices in general are at approximately the same level as a year ago, prices of farm products and foods are lower whereas prices of hides, leather, fuel and lighting products are considerably higher and other groups are about the same as a year ago.

The combined wholesale prices in the currencies of seven foreign countries have risen a little each month from the low of 71 percent of the 1926 average in July 1935 to 74 for January 1936. In the last few months the wholesale price level has been practically unchanged in Germany, England, Canada, and Netherlands. At the same time prices have continued their rise in France and China, whereas prices have declined a little in Japan.

BUSINESS CONDITIONS

Industrial output in February declined in contrast with the usual seasonal increase, but increases in output have occurred in many lines of industry during the first half of March, and indications point to at least the usual spring rise in industrial output and trade. Warmer weather since the latter part of February has been accompanied by increased retail sales and larger movement of merchandise.

The decline in industrial activity in February was largely due to the marked curtailment in automobile output, but there was a marked increase in cars assembled during the first half of March. The improvement in activity in the other major heavy industries has been an important factor in maintaining industrial activity at levels above the same period a year ago. Increased machine tool orders, larger purchases of rails and equipment by the railroads, and of iron and steel by farm equipment manufacturers have resulted in gradually increasing requirements for steel until activity in the steel industry for the second week of March about reached the high levels maintained during December. Building contracts awarded during February were somewhat lower than in January, but were materially higher than a year ago. This improvement in the output of many of the more important lines of durable goods is particularly encourage-

ing, as it is largely in these industries that activity and employment are still relatively low compared with pre-depression levels.

The output of consumers' goods in February was not greatly different from a year ago, as operations in textile mills did not increase as much as usual, and inspected slaughter of livestock declined more than seasonally.

The extremely cold weather during February stimulated sales of winter goods and coal, but was unfavorable to sales of automobiles and general merchandise. Retail sales in most lines continued at about the reduced levels of January or declined further during February. The value of department store sales as measured by the Federal Reserve Board's seasonally adjusted index was 80 percent of the 1923-1925 average in February, compared with 79 percent in January and 75 percent in February last year. Rural retail sales were hampered by unusually heavy snow throughout large areas and variety store sales were also lower in February.

The pressure of the unusually large supply of funds available has continued to be the most important factor in the money and banking situation during the past few months. Bank deposits have continued to increase, due largely to government expenditures and to the inflow of funds from foreign countries. Deposits of all member banks of the Federal Reserve system are now over $9,000,000,000 higher than in April 1933, are over $3,000,000,000 higher than a year ago, and are at a new all time high. The excess reserves of member banks have been maintained at slightly over $3,000,000,000, as a transfer of treasury balances of about $475,000,000 from member banks to Federal Reserve banks has more than offset the moderate inflow of gold since the first of the year. Interest rates continue to decline, especially for longer term investments, and has been accompanied by extensive refinancing. The amount of financing for new capital expenditures has increased slightly, but is still at unusually low levels.

Industrial activity in several of the foreign countries has shown some decline in line with the decline in the United States, but a renewal of the upward movement of business activity is expected in many countries. The Economist index of business activity for the United Kingdom declined 3 points from December to January, partly in response to severe weather conditions, but the general trend of activity in the capital equipment industries remains upward. Industrial output in France increased from 73 percent of 1927-1929 in August to 76 percent in October and has since remained at about that level. In Germany business activity has continued to decline, and there are no signs of improvement as yet in Holland or Belgium. Activity in most of the other Central European countries is now at a higher level than a year ago. In Japan, the high level of business activity has apparently been maintained, and indications are that a recovery in trade has begun in China.

WHEAT

Wheat prices in the United States during the next month or two are not likely to vary much from recent levels unless the moisture condition in domestic wheat areas, or the foreign demand situation, changes materially.

The United States average farm price of wheat as of mid-February was 91.9 cents per bushel compared with 93.0 cents a month earlier and 87.9 cents in February 1935. Prices at principal markets also declined from the middle of January to the middle of February. After reaching the low point on February 10, Chicago and Kansas City May futures rose until February 27, following Liverpool and Winnipeg most of the time, but finally displaying independent strength as the result of threatened crop damage. Average prices of No. 2 Hard Winter at Kansas City rose 6 cents and No. 2 Red Winter at St. Louis 3 cents from the week ended February 15 to that ended February 29. During early March, influenced by larger marketings, more favorable reports of winter wheat conditions, and market liquidation, Chicago and Kansas City May futures were relatively weaker than the Liverpool and Winnipeg markets. More recently, however, both domestic and foreign prices have strengthened as a result of increased European demand.

March 1 crop conditions were interpreted in three private reports as indicating a winter wheat crop of 500,000,000, 505,000,000, and 565,000,000 bushels, averaging 523,000,000 bushels. If the winter wheat crop turns out to be about as indicated by this average and if the spring wheat crop has fairly normal growing conditions, total production would be large enough to provide a significant surplus and prices would adjust downward to facilitate exports. In the event that a large exportable surplus is produced, domestic prices would be reduced low enough to provide a shipping differential between the United States and Europe. The May future at Chicago is currently about 9 cents over the corresponding month at Liverpool, whereas the July future at Chicago is about 3 cents under the July future at Liverpool. With hard winter wheat commanding substantial premiums this season, cash prices would be expected to make greater adjustments than futures. No. 2 Hard Winter at Chicago and Kansas City has recently been averaging about 11 and 15 cents, respectively, over the May futures. On the other hand, it should be observed that it is still possible for unfavorable weather conditions to hold the crop close to domestic requirements and that the carry-over of good millable wheat probably will be so low that stocks may be built to some extent out of the new crop, leaving a very small if any exportable surplus.

Imports of wheat into the United States from July through January consisted of 15,700,000 bushels of milling wheat and 7,500,000 bushels of wheat "unfit for human consumption". Most of this has been hard red spring wheat from Canada, but some durum wheat has also been imported. Imports are necessary this year, primarily because the supplies of good milling wheats are short. The drought curtailed the acreage and reduced the yields of the 1935 hard winter wheats and, in spite of the relaxation of planting restrictions upon spring wheats under Agricultural Ajustment

Administration contracts, the rust resulted in such low yields and such low test-weight of the spring wheat produced that it seems likely that about 35,000,000 bushels will be imported in 1935-36. It is expected that further imports of wheat for feed will taper off since the feed grain supplies in the United States are ample.

Wheat stocks in Canada remaining for export or carry-over on March 1 totaled about 218,000,000 bushels compared with 254,000,000 bushels a year earlier. In addition Canadian wheat in bond in the United States amounted to 21,000,000 bushels compared with 23,000,000 bushels in 1935. Surplus stocks in Australia amounted to about 68,000,000 bushels compared with 88,000,000 bushels a year earlier and in Argentina 57,000,000 bushels compared with 129,000,000 bushels on March 1, 1935. The very limited oriental demand this year has shifted the bulk of Australian wheat to European markets where it has been offered in competition with wheat from Canada. Argentina is at present out of the European market due to short supplies and high domestic prices. During the last half of February, North American shipments, which this year consist practically all of Canadian wheat, were close to 5,000,000 bushels a week. While this is the highest for the season, due to poor foreign demand and Australian competition, Canadian shipments are still considerably below what was expected earlier in the season. Shipments in early March declined but recently rose again. During the last half of February shipments from Australia were about as large as those from Canada.

There appears to be less apprehension in most European countries than a month ago regarding crop outturns this year. The condition is now described as generally satisfactory. Principal exceptions to this situation, which definitely have poor crop prospects are France, Tunisia, and to some extent the United Kingdom and the Baltic States. Conditions are reported only fair in Morocco, Algeria, and Portugal. During the past month France, Spain, and Portugal have continued to have abundant rain. Some improvement was reported for North Africa.

CORN AND OTHER FEED GRAINS

Feed grain prices are not expected to change much from present levels in the last half of March or April. Sound, dry corn will probably bring an increased premium over the poorer grades, particularly since market stocks are small. Feeding requirements, which were much above normal per animal unit in the first 3 weeks of February because of extremely low temperatures over large portions of the country, were sharply reduced in the last week of that month and early in March. Marketings of feed grains were restricted by the unfavorable weather and market stocks underwent a further decline. Commercial utilization of corn has been much above that of a year ago. Demand for seed corn is expected to be better than last year.

Feed grain prices were steady to slightly higher in February and the first week in March compared with a month earlier. Prices advanced slightly during February until the termination of the cold spell and then tended downward with the reduction in feed requirements. All classes and grades of corn at five important markets averaged 56.9 cents per bushel in the first week of February and 56.4 cents in the week ended March 7.

No. 3 Yellow corn at Chicago advanced from 61.0 cents to 62.3 cents in these two periods, while No. 3 White oats remained close to the 30-cent level. No. 3 Barley at Minneapolis averaged 61.3 cents in the week ended February 8 and 62.4 cents in the week ended March 7. The United States farm price of corn on February 15 was 55.5 cents, of oats 26.6, and of barley 39.6 cents per bushel. These prices are slightly higher than the 53.5 cents, 25.9 cents, and 38.6 cents, respectively, for January 15. The United States hog-corn ratio, based on farm prices as of February 15, was 16.8 compared with a long-time average for February of 11.7.

Weather conditions during the first 3 weeks of February were unfavorable for the marketing of feed grains, but marketings increased with the passing of the severe weather. With green feed soon to be available, corn of the lower grades and of high moisture content may be moved into marketing channels more freely. Receipts of corn and oats in February at 10 primary markets were considerably below the 5-year February average. Only 6 percent of the inspected receipts at representative markets December 1, 1935 to February 29, 1936 graded No. 3 or better compared with 75 percent in the same period of 1934-35. Shipments of corn from those markets, however, were close to average, while the movement of oats was much below. Market receipts of corn, November-February, and of oats, August-February, have been about three times as large as in the same periods of 1934-35. These increased receipts, of course, reflect the larger crops. Shipments of corn to date from the markets in the 1935-36 season have been somewhat smaller than in the same period a year earlier, when the drought accelerated the movement of corn from surplus to deficit areas. Shipments of oats from the 10 markets August through February were nearly twice as large as in the corresponding period of 1934-35. Barley receipts at the four major markets in February were sharply reduced compared with January receipts, but the seasonal market movement August through February was nearly double that in the same period of the preceding season. Market stocks of the feed grains decreased in February, and on March 7 stocks of corn at 41 markets totaled 5,658,000 bushels, stocks of oats 40,364,000 bushels, and stocks of barley 14,661,000 bushels.

Argentine corn continues to be imported. In January these imports totaled 1,855,000 bushels, while arrivals on the Pacific Coast, the principal point of entry, totaled 455,000 bushels in February. Argentine corn continues to undersell domestic corn on the Pacific Coast. Prospects for the new corn crop in Argentina remained favorable, although some damage from locusts and drought was reported in several areas. An Argentine corn crop about as large as last year's record harvest is expected.

The commercial use of corn in the 1935-36 season to date has been considerably greater than in the same period of 1934-35. Wet-process grindings for domestic consumption in February totaled 5,868,000 bushels. The total grind, November through February, was about 40 percent larger than in those months of 1934-35 and was slightly larger than the 5-year average for this period. The liquor industry provides a large outlet for corn and products of corn. The production of distilled spirits July 1935 through January 1936 was 140,000,000 proof gallons, or 72 percent above the outturn in those months of 1934-35. Beer production has been 13 percent greater in 1935-36 (July-January) than in the same period of the preceding year.

The condition of the new barley crop in California improved in February. Record rains early in the month caused some deterioration in the lowland areas, but this was more than offset by improved conditions on the upland. Some damage to winter oats occurred in Oklahoma and Texas because of the severe weather in January and February.

Sales of hay and grass seed are expected to be larger than a year ago. Larger retail sales of timothy, red clover, orchard grass, sweet clover, alsike clover, Kentucky blue grass, alfalfa, and red top are in prospect this spring and summer. Corn from the 1935 crop is reported of poor germination and, as a result, increased interest in the quality of corn for seed has developed.

RICE

The steadiness of southern rough rice prices in the past 2 months will probably continue into March and April because the supplies are relatively small. Southern milled rice prices declined sharply following the invalidation of the existing processing taxes on January 6, but they have remained practically unchanged at the new level. The lower prices increased domestic and insular purchases, but exports were reduced. California milled rice prices were about unchanged and were too high compared with southern rice to compete in Puerto Rico. Some increase in the 1936 southern acreage seems likely.

Southern and California rough rice markets were quiet and steady in January, February, and the first week in March. Mill receipts of southern rough rice decreased sharply in February and totaled only 485,000 barrels compared with 845,000 barrels in January and 1,280,000 barrels in February 1935. Stocks of southern rough rice in first hands on March 1 were about one third as large as a year ago and were placed by the trade at 319,000 barrels. These stocks apparently excluded the seed required for the new crop. Stocks of rough rice at southern mills on March 1 totaled 1,146,000 barrels, or about the same as a year ago. The total supply of rough rice on farms and at mills, March 1, was from two thirds to three fourths as large as the supply a year ago. The California rough rice markets have been inactive. Growers offered their rice freely, but the mills operated on supplies purchased earlier in the season. Trade estimates placed stocks of rough rice in growers' hands, March 1, at 1,250,000 bags of 100 pounds each (771,600 barrels), exclusive of the quantities retained for seed. The farm price of rough rice, February 15, was $3.06 per barrel in Louisiana, $3.24 in Texas, $3.13 in Arkansas, and $3.13 per barrel in California. These prices were unchanged to slightly higher compared with a month earlier. The March 15 prices will not be greatly different from the February 15 prices.

Immediately following the Supreme Court decision on processing taxes, January 6, prices of southern milled rices were adjusted to sharply lower levels, as a result of which domestic and Puerto Rican purchases increased, but export takings decreased sharply. Just prior to January 6, fancy Blue Rose at New Orleans ranged from $4.60 - $4.75, whereas after that date this type of rice sold at from $3.70 - $3.85 per 100 pounds. Shipments of southern rice into trade channels totaled 107,000,000 pounds in February compared with 102,000,000 pounds in January and 105,000,000 pounds in February a year ago. California milled rice prices remained nearly unchanged

after the decision until early in February, when they advanced 10 cents per 100. Fancy California-Japan was quoted at San Francisco March 9 at $4.50 per 100 pounds. With relatively lower prices of rice in the southern markets compared with California, trading in California milled rice was restricted in those markets where the two rices compete. This was particularly evident in Puerto Rico. Property-tax assessments on March 1 were a causal factor in reducing stocks of California rice in trade channels and limiting the sales of rice by mills.

The removal of the processing tax materially affected southern prices since the export outlet was reduced. Exports of United States rice, August-December 1935, amounting to 68,753,000 pounds, were larger than for any similar period since 1931. Exports in January dwindled to 3,937,000 pounds, but increased in February to 6,902,000 pounds. Exports during the week ended March 7 were unusually large, amounting to 5,143,000 pounds. Shipments to Puerto Rico, August-December 1935, however, amounting to 68,755,000 pounds, were the smallest for these months since 1929, reflecting in part the maintenance of a relatively high level of United States prices. Shipments in January aggregated 19,713,000 pounds and in February, 15,466,000 pounds. With the exception of January and February 1935, when shipments were influenced by proposed Federal legislation with respect to rice, the shipments in January and February 1936 were about as large as in the same months of any recent year. Shipments to Hawaii, consisting entirely of California rice, are larger than last year by 8 percent, and are about average. Shipments to Hawaii in January totaled 5,836,000 pounds, and in February 6,125,000 pounds.

A rice program under the new farm act is being developed, but it had not assumed definite shape by the middle of March. Preparations for planting the new southern crop have made rapid progress in the past month, and some increase in acreage is in prospect.

POTATOES

Moderating weather conditions in the North and West during recent weeks resulted in heavier shipments of potatoes, and prices at shipping points and in terminal markets tended downward from the relatively high level reached in mid-February. The outstanding exception has been Colorado Red McClures, which were meeting an active demand at much higher prices. The planting of early potatoes in North Carolina and South Carolina was delayed considerably this season and may result in decreased yields. This, together with the relatively light holdings of old stock in most of the Northern States, is expected to cause potato prices to be maintained at about present levels or to advance slightly.

A very heavy movement of 5,600 cars of old potatoes occurred during the first week of March, in addition to 200 cars of new stock from Florida. Output of old stock had increased 2,000 cars per week over the shipments of early February when temperatures were generally so low that shipments were curtailed considerably. The most active States recently have been Maine, Minnesota, Idaho, Colorado, and Nebraska. However, the surplus late-potato States together had forwarded (by rail and boat) only 102,000 cars by March 7, compared with 116,000 cars to the same time last season.

Prices showed some decline during late February and early March, but prices at shipping points held more firmly than at city markets. Eastern potatoes sold on the New York City wholesale market during the first week of March within a range of $1.40 - $1.75, sacked per 100 pounds, compared with an average of $1.80 the month before and only 92 cents in early March 1935. New Bliss Triumphs from Florida had dropped to $3.25 per 100 pounds in New York and were at the same level as a year ago. The Chicago carlot market recently was weaker on northern Round Whites at $1.15 - $1.20 per 100 pound sack, but this was far above the level of 73 cents in early March last year. Idaho Russet Burbanks declined about 15 cents per 100 pounds since the first week of February and recently sold around $1.83 in Chicago. For the first time this season, Red McClures from Colorado commanded a higher price than Idaho potatoes on the Chicago market at $1.90 per 100 pound sack. The Chicago price of Florida Triumphs declined $1.00 during February to an average of $3.15 per 100 pounds the first week of March, and was 60 cents lower than a year ago.

Condition of the early potato crop in Florida declined considerably during February to 64 percent of normal on March 1, or about the same as last March. Conditions in the lower valley of Texas were far more favorable than last spring, so that the potato crop in that district recently averaged 88 percent of normal. Early potatoes in Louisiana and California registered a condition 92 percent of normal on March 1. As shipments from southern Florida increased, the f.o.b. price of Bliss Triumps in that area had declined to about $2.20 per 100 pounds. The following table shows the f.o.b. prices and cash prices to growers of northern potatoes during the first week of March, compared with a month earlier and with early March 1935:

Potatoes: Shipping point prices, 1935 and 1936

Locality	Cash to growers, bulk per 100 pounds			F.o.b. per 100-lb. sack Week ended		
	Mar. 9, 1935	Feb. 8, 1936	Mar. 7, 1936	Mar. 9, 1935	Feb. 8, 1936	Mar. 7, 1936
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Presque Isle, Me.	.19	.99	.95	.36	1.18	1.10
Rochester, N.Y.	.27	.87	.80	.47	1/1.18	1/1.08
Grand Rapids, Mich.	.30	.82	.80	.54	1.16	1.06
Waupaca, Wis.	.30	.65	.72	.48	.94	.96
Idaho Falls, Idaho	.53	.80	.79	.72	1.02	1.00

1/ United States commercial grade, all other prices being on United States No. 1 grade.

By February 15, the average farm price of potatoes throughout the United States had advanced to about 69 cents per bushel, an increase of 3 cents over the January 15 average and about 24 cents per bushel higher than the United States average price to growers on February 15, 1935. The February average for the years 1910-14 is around 66 cents per bushel.

The March report on intentions of growers to plant potatoes in each of the States is scheduled for release on March 16, and will show the expected changes in acreage from the planted and harvested acreages of recent years.

HOGS

The rise in hog prices which started in early January continued during the first half of February but was followed by a decline during the second half which carried prices back to the levels prevailing at the end of January. A moderate upturn occurred during the first week of March, and prices held about steady during the second week. The trend during the next 3 months is likely to be downward as prices are adjusted to the seasonal increase in slaughter resulting from the marketing of the 1935 fall pig crop which was indicated to be about 31 percent larger than the fall crop of the previous year.

The weekly average price of hogs at Chicago rose from $10.01 the last week in January to $10.70 the second week in February and then declined to $9.99 in the closing week of the month. During the first week of March it was $10.05. Price changes were about the same for all weights and grades. The average for February of $10.37 was 52 cents higher than the average of January and $2.02 higher than that of February last year when a processing tax of $2.25 per 100 pounds was in effect.

Hog slaughter under Federal inspection during February, totaling 2,319,000 head, was 3.7 percent less than the very small slaughter of February last year and was the smallest for the month since February 1903. The decrease in numbers as compared with a year earlier was offset by the increase in average weights. Compared with slaughter in January, the February total represented a decrease of more than 1,100,000 head. Average weights in February were lighter than those in January but were heavier than in February last year. The average for the seven principal markets was 228 pounds compared with 232 pounds in January and 218 pounds in February last year.

Prices of both corn and hogs at Chicago changed relatively little as between the beginning and end of February, hence little change occurred in the hog-corn price ratio which was 16.7 at the beginning of the month and 16.1 in the first week of March. In early March last year it was 11.3. The relatively high ratio of recent months will undoubtedly encourage hog producers to expand production as rapidly as possible, hence the number of pigs raised in 1936 is expected to be very much larger than the number produced last year.

Prices of fresh pork after declining sharply during most of January as a result of increased supplies recovered practically all of their decline by the middle of February as hog slaughter was curtailed. During the second half of the month, however, prices again broke sharply and by the end of the month they were near the lowest levels of January. Prices of cured pork after declining sharply through January held about steady or made a slight recovery during February. The exception was prices of fat backs which continued downward because of the relatively large proportion of this product in storage holdings. The composite wholesale price of hog products at New York in February was $20.84 per 100 pounds compared with $21.92 in January and $19.51 in February last year. The index of retail prices of hog products in that city on February 29 was 90.4 compared with 94.5 on January 31 and 81.1 on February 28, 1935 (1924-1928 = 100). Consumption of pork and lard in both January and February was somewhat less in those months last year but the decrease was more than offset by an increase in the total consumption of other meats.

Storage holdings of hog products increased during February but the amount of the increase was less than average for the month because slaughter was relatively small. Stocks of pork on March 1, totaling 452,000,000 pounds, were about 4 percent larger than those reported a month earlier, but were 31 percent less than a year earlier and 39 percent smaller than the 5-year average for that date. Lard stocks, totaling 79,000,000 pounds were 4 percent larger than those reported February 1, but were 28 percent smaller than a year earlier and 23 percent less than the 5-year March 1 average.

The movement of hogs to market which was accelerated during January as a result of the price readjustment which followed the removal of the hog processing tax has become more nearly normal and is expected to continue so during the remainder of the marketing year. The increased number of fall-farrowed pigs to be marketed during the next few months in relation to the number marketed a year earlier, however, will cause slaughter supplies in May and June to be very much larger than in those months last year. Slaughter in March and April, on the other hand, probably will not be greatly different from that of a year earlier.

CATTLE

Cattle supplies, especially of medium and low good grade steers, are expected to continue relatively large for the next 2 or 3 months. While there seems little likelihood of any considerable further decline in prices below the levels reached the latter part of February any recovery is dependent upon an improvement in consumer demand which may come with increased industrial activity during the spring.

Prices of all grades and classes of slaughter cattle declined steadily during February. The decreases were largest with the better grades and this tended to narrow further the spread between common and choice cattle and especially between common and good cattle. The declines in the average weekly prices of the different grades of beef steers at Chicago from the last week in January to the last week in February were

as follows: Choice $2.16, good $[illegible].76, medium $ .89, common $ .67, all grades $1.07. At the end of February prices of all grades of beef steers were $2.67 below a year earlier. Compared with the low point in July 1935 at the end of the 2 months' decline which started in May, the average prices of good and medium steers were lower, choice was unchanged, and common was higher. The declines in the different grades of butcher stock were somewhat similar to those of beef steers. During the first week in March prices of all grades of cattle made some recovery, regaining most of the decline of the last week in February.

While the weakness in the fat cattle market tended to be reflected in declining prices of stocker and feeder cattle, the declines in the prices of the latter were much less marked. This has resulted in a very narrow spread between the average price of beef steers and the average cost of stocker and feeder steers. At Chicago the average cost of stockers and feeders in February was only about $1.40 below the average price of beef steers compared with a spread of from $3.00 to $4.00 over most of 1935. Prices of veal calves, after reaching $13.00 early in February, the highest point since January 1931, made a precipitous drop to the lowest levels since last July. The average monthly prices of beef steers at Chicago in February was $8.37 compared with $9.30 in January and $10.49 in February 1935. The February 15 farm price of beef cattle, which covers all kinds and grades, was $6.19 compared with $6.22 a month earlier and $5.95 a year earlier. The average farm price of veal calves February 15 was $8.58 compared with $8.15 on January 15, and $6.47 a year earlier.

Supplies of cattle in February were large. Although receipts at seven large markets were 2 percent smaller than a year ago, inspected slaughter of 742,000 head was 13 percent larger than in February 1935 and 19 percent above the 5-year February average and was the second largest for the month on record. Calf slaughter of 405,000 head was 4 percent larger than in February 1935 and 9 percent above the 5-year average and was the second largest for the month on record. Receipts of beef steers at Chicago in February, while 16 percent larger than in February 1935, were the second smallest for the month in the 15 years of record. The number of good and choice steers was smaller than in February 1935 and the smallest for the month since 1924.

The decline in cattle prices during January and February this year has been in sharp contrast with the advance that occurred during the corresponding months a year ago. The decline this year cannot be satisfactorily explained in terms of actual or relative supply of cattle alone. Apparently the supply of better grade slaughter cattle has been smaller during January and February this year than last, and the price decline was largest in these grades. Although these grades usually decline during the first half of the year, the decline is generally associated with increasing numbers. Judging from the very narrow spread in the wholesale beef markets between common and choice beef, the demand for the latter has declined appreciably. Likewise the recent decline in the hide market has been a weakening factor in the cattle market.

The small supply of good and choice cattle compared with a year ago despite the much larger number of cattle on feed is probably explained in part, by the rather poor gains made by cattle on feed this year.

The record cold weather and deep snow over most of the Corn Belt and the poor quality of corn available in many sections were severe handicaps in fattening cattle during January and February. The present low prices of fat cattle in relation to the cost of feeder cattle last fall and the high cost of putting on gains have resulted in a generally unprofitable outcome from most cattle marketed in recent weeks.

LAMBS

Prices of fed lambs during the next 2 months are expected to continue around the levels of early March. Prices of new crop lambs will probably be somewhat higher at central markets than at the beginning of the new season a year ago.

The price of slaughter lambs advanced somewhat during the early part of February and then declined rather steadily during the rest of the month. The top price of slaughter lambs at Chicago was around $10.00 during the last 2 weeks of the month and on some days dropped below this price and the general level of lamb prices was the lowest since early November. In December the top on lambs at Chicago reached almost $12.00. The average price of good and choice lambs at Chicago for February this year was $10.00, compared with $10.47 in January and $8.54 in February 1935. The February 15 farm price of lambs was $8.31, compared with $8.25 a month earlier and $6.65 a year earlier. The movement of slaughter ewe prices in February was the opposite of that of lamb prices, declining during the early part and then advancing to the highest level of the season early in March.

Supplies of lambs in February continued fairly large. Receipts at seven leading markets were 2 percent larger than in February 1935 and inspected slaughter of 1,314,000 head was 15 percent larger, and 6 percent above the 5-year February average. The slaughter supply continued to include a relatively large proportion of ewes and yearlings. The movements of fed lambs from Colorado and western Nebraska feed lots during January and February was large compared with the corresponding movement during the preceding 2 years. The number of lambs remaining in feed lots in this area of 1,145,000 head at the end of February was about 45,000 head larger than a year and 2 years earlier. The number remaining in feed lots in the Corn Belt States at the end of February was probably considerably smaller than a year earlier.

A fairly early movement of new crop lambs from California and Arizona is in prospect. Feed conditions in these States have been quite favorable and the early lamb crop in each is considerably larger than last year. The early lamb crop in Texas is also larger than last year and the generally good feed situation over the principal sheep area of the State points to a much heavier marketing of early lambs and of grass fat sheep and yearlings during April, May and June than during the preceding 2 years. On the other hand the early lamb crop in the Pacific Northwest and in the Southeastern States was reduced by the very unfavorable weather in January and February and the early lambs have made rather poor growth to date.

BUTTER

Butter prices rose about 7 cents per pound from mid-January to mid-February when the severe weather greatly curtailed shipments. With more normal weather prices have declined and a seasonal decline in prices is in prospect during the remainder of the feeding period. Prices during the coming summer will probably average higher than in 1935. Butter production is larger than a year ago and will probably continue larger for several months. Storage stocks are low. The margin between domestic and foreign prices has declined and imports will probably be small during the remainder of the year.

Estimated production of creamery butter in January of 107,800,000 pounds was 1.8 percent larger than the low production a year earlier, but except for 1935 this was the lowest for the month since 1929. January was the first month since last July in which production was larger than in the same month of the preceding year. During the remainder of the feeding period production will probably be larger than in 1935. January production exceeded December by only 3.3 percent; a relatively small increase. The severe weather during late January tended to retard production but a more normal seasonal increase is in prospect from January to June.

The price of 92-score butter at New York in February averaged 36.9 cents per pound. This was the highest for the month since 1929 and 2.3 cents higher than a month earlier. The effect of the weather in curtailing shipments forced prices up at a season of the year when prices usually decline. During late February and early March prices declined from the high level of mid-February. A further seasonal decline in prices is in prospect from now till pasture season, although the decline from February to mid-summer will probably not be as great as in 1935.

In mid-February the farm price of butterfat of 34.9 cents per pound was 1.4 cents higher than in January but 1.0 cent less than a year earlier. The farm price of butterfat in mid-February was equivalent to 36.7 pounds of feed grains compared with 22.4 pounds a year earlier, and the 1920-1934 February average of 31.0 pounds. Butterfat prices are also high compared with by-product feeds and hay, but low compared with hogs.

Trade output of butter in January of 127,200,000 pounds was 5.5 percent less than a year earlier, and the smallest for the month since 1929. Retail prices of butter in January were 8 percent higher than in January 1935. These changes indicated an increase of 3 percent in consumer expenditures for butter to the highest level for the month since 1930.

Storage stocks of butter on March 1 were 8,200,000 pounds, compared with 8,100,000 a year earlier. Stocks are so low that they are not an important factor in the market.

In early March the margin between 92-score butter at New York and New Zealand butter in London was 14.2 cents compared with 18.4 cents on February 20. Imports of butter in January of 860,000 pounds, were somewhat larger than a year ago, but not large compared with production.

CHEESE

Cheese prices have declined from the high level reached in December. Extremely heavy production, without a corresponding increase in consumption, and relatively large stocks tended to reduce prices. The decline in prices from now to mid-summer will probably be small, and the increase in production from January to the seasonal peak in June will probably be less than average.

The price of cheese (twins) on the Wisconsin Cheese Exchange in February averaged 14.2 cents per pound; this was 1.9 cents less than in January and 1.5 cents less than in February 1935. Ordinarily cheese prices in February average lower than January, but this year the decline was relatively large. Cheese prices are relatively low compared with butter.

Estimated production of cheese in January of 43,800,000 pounds was 36 percent larger than in January 1935 and 24 percent above the preceding high in January 1934. During the later part of 1935 cheese prices were high compared with butter and this has stimulated cheese production. With cheese prices low compared with butter at the present it is not probable that cheese production will show the usual seasonal increase during the remainder of the feeding period.

Trade output of cheese in January was 1.1 percent less than a year earlier. There was a relatively large volume of cheese distributed for relief in January 1935 but none in January 1936, so that trade output through regular commercial channels was 3 percent larger than in the same month of 1935. Retail prices were 12 percent higher. These changes indicate an increase of 15 percent in consumer expenditures for cheese.

Cold storage stocks of American cheese on March 1 were 68,400,000 pounds compared with 60,900,000 a year earlier and a 5-year average of 52,500,000 pounds.

January was the first month in which the reduced tariff rate on cheddar cheese in the Canadian trade agreement was in effect. Imports of cheese from Canada in January were 742,000 pounds compared with 150,000 pounds a year earlier. Total imports of cheese in January, however, were 335,000 pounds less than in the same month of 1935.

POULTRY AND EGGS

Market prices of eggs rose in February, owing primarily to the severe weather. Receipts of eggs were the lowest in recent years. Although egg prices in the last week of March were above those of early March 1935, they are likely to be below those of 1935 later in the spring and summer. Relatively short poultry receipts continue to strengthen poultry prices. The advance in poultry prices will probably continue to mid-spring.

The market price of specially packed mid-western eggs at New York averaged 32.6 cents per dozen in February 1936 compared with 27.9 cents a month earlier and 31.0 cents in February 1935. Prices in early March averaged about 28 cents. The farm price on February 15 was 23.8 cents, a rise of 1 cent from a month before and 3.2 cents from a year before. Farm prices of chickens averaged 16.9 cents per pound on February 15 compared with 16.5 cents a month earlier and 13.4 cents a year earlier.

Receipts of eggs at the four markets in February, which were greatly reduced by the exceptionally severe weather, amounted to only 734,000 cases compared with 792,000 cases a year before and a 5-year average of 1,010,000 cases. With better producing weather receipts are likely to exceed those of 1935 in the spring and early summer.

Receipts of dressed poultry at the four markets in February were low, being 13,700,000 pounds compared with 15,100,000 pounds a year earlier, and a 5-year average of 19,600,000 pounds. Since receipts of poultry ordinarily are light during the first part of the year, the main source of supply is the storage stock.

Storage holdings of frozen poultry on March 1 are low relative to those of earlier years, being 85,800,000 pounds compared with 106,800,000 pounds a year ago and a 5-year average of 97,800,000 pounds.

Storage stocks of shell eggs on March 1 were just beginning their usual seasonal increase and were 13,000 cases compared with 34,000 cases a year earlier and a 5-year average of 191,000 cases.

WOOL

Wool prices in the domestic market at the present time are influenced chiefly by the limited supply of domestic wool available and by the strength in prices in foreign markets. The new domestic clip will not be available in large volume before May. With stocks of wool relatively small and demand conditions in this country and abroad continuing favorable domestic prices are likely to remain near present levels for the next few months. Prices of most grades of domestic wool at Boston are now at the highest level since 1929. The Southern Hemisphere clip has been sold quickly at higher prices than those prevailing in the 1934-35 selling season. Despite the increased purchases of wool by European countries such information as is available does not indicate a piling up of stocks of raw material in consuming countries and it appears that wool is going rapidly into manufacture.

Prices of most good quality wools at the opening of the second series of 1936 wool sales at London on March 10 were about 5 percent higher than at the close of the previous series on January 30, but prices of fine crossbred wools in some cases showed a slight decline. The series will continue until March 24. The National Council of Wool Selling Brokers of Australia has announced that owing to shortage of supplies the sales at Sydney have been curtailed and the main selling season at that center will close this month. Last season sales at Sydney continued into June.

The volume of sales of domestic wool in the Boston market has been very small in the last month. Prices have remained very firm, but quotations in the first week of March were reported to be almost entirely nominal. Quotations for fine (64s, 70s, 80s) strictly combing territory wool averaged 94 cents a pound, scoured basis, the week ended March 7 compared with 93 cents the first week of February and 66 cents in the first week of March 1935. Territory 56s averaged 81.5 cents the first week of March, having shown no change since the end of January. The price of this grade of wool averaged 56 cents a pound in the first week of March 1935. The United States average farm price of wool on February 15 was 25.6 cents a pound compared with 24.1 cents on January 15 and 18.2 cents on February 15, 1935.

The small supplies of spot domestic wool on the market led to early contracting of the 1936 clip. Contracting of unshorn wool was reported from California and Texas in January and soon extended to other states, principally Colorado, Utah, Nevada, and Arizona. The National Association of Wool Manufacturers reports that prices paid to the growers in February for some of the larger and better known clips were more than 10 cents (in the grease) above 1935 prices. This is equivalent to approximately 25 cents a pound clean basis. During the latter part of February, however, much less pre-shearing contracting was reported.

According to present indications, the 1936 shorn wool production in the United States may not differ materially from that of last year. Although there was a decrease of about 300,000 or 0.6 percent in the number of stock sheep on hand on January 1, 1936 compared with the same date of 1935, weather and feed conditions in the first 8 months of the wool growing season have been much better than a year ago, pointing to a heavier yield per fleece. The revised estimate for 1935 places the shorn wool production at 363,000,000 pounds. Pulled wool production for the year was estimated at 66,000,000 pounds, giving a total production of 429,000,000 pounds in 1935, compared with 430,000,000 pounds in 1934 and a 5-year (1929-1933) average of 419,000,000 pounds.

Wool imports continue to increase. Imports of apparel class(formerly reported as combing and clothing) wool were 8,747,000 pounds in January compared with 5,315,000 pounds in December and 2,022,000 pounds in January 1935. Imports of such wool are usually largest in the first 4 months of the year, before the new domestic clip becomes available in April or May. Imports of carpet class wool were 12,097,000 pounds in January, 12,634,000 pounds in December, and 6,475,000 pounds in January 1935.

Despite the unusually high consumption of wool in 1935 domestic mills continue to operate at an active rate in early 1936 and a substantial number of unfilled orders are reported on hand. The weekly average consumption of apparel class wool in the 5 weeks ended February 1 was 5,645,000 pounds, scoured basis, compared with an average of 5,548,000 pounds in December and 5,485,000 pounds in January 1935. The weekly average consumption for the year 1935 was 5,846,000 pounds, compared with 3,240,000 pounds in 1934 and an average of 4,550,000 pounds in the 10 years 1924 to 1933.

A slight seasonal decline in activity was reported in the wool manufacturing industry of the United Kingdom in January. Unemployment in the industry for the month, however, was lower than in January of any year since 1928. Stocks of raw wool at ports and in railway and canal depots in Yorkshire at the end of 1935 were reported by the Imperial Economic Committee of the United Kingdom to be the lowest in the 3-year period for which such statistics are available. Although continental European countries, with the exception of Italy, have greatly increased their purchases of wool in the Southern Hemisphere in recent months, stocks of wool tops in commission-combing establishments remain below average.

Exports of wool from the five principal wool producing countries of the Southern Hemisphere for the current season up to January 31 show an increase of 21 percent compared with the same period of 1934-35 and stocks at selling centers are much smaller than at the same date of 1935. The reduction in apparent supplies in Southern Hemisphere countries on February 1, 1936 is estimated at 22 percent as compared with the same date a year ago and 31 percent compared with the preceding 5-year average.

COTTON

Prices of spot cotton have tended slightly downward since early in February, although most desirable qualities for both domestic consumption and export continue to be very scarce. The Producers' Pool has reduced its holdings of spots by over 200,000 bales since February 13. Domestic mill activity and cotton consumption remain relatively high, but have tended to slacken within the last 2 or 3 weeks. Foreign mills continue to take larger quantities of American cotton. Exports from the United States in January and February were above those for last year, although by a smaller margin than in the earlier months of the season.

The price of Middling spot cotton at the 10 markets has been fairly steady during the last 5 weeks, although there has been some tendency for prices to fall. The high point for the month of February was 11.52 cents on February 3 and the low was 11.08 on the 25th. The average for the month of February was 11.32 cents, and for the week ended March 7, 11.18 cents.

The new agricultural program is being launched, and it continues to be the opinion of the trade that next year's cotton crop will be of only medium size. Recent private estimates give farmers' intentions to plant as between 32,000,000 and 33,000,000 acres, with the largest percentage increases occurring in Texas, Louisiana, and Oklahoma.

Factors which have tended to keep prices firm have been a continuation of the relatively high level of cotton mill activity and general business conditions in this country, a shortage of desirable qualities of spot cotton outside of Government hands, and larger exports and increased consumption of American cotton in foreign countries for the first half of the year as compared with the same period last year. Factors which might be considered as having had a depressing effect upon prices during the past 2 months were the unusually cold winter with the prospective emergence of relatively few weevils this spring, the leveling off of mill activity in this country and abroad, and price relationships becoming relatively more favorable for the consumption of foreign cotton.

The latest estimate of world cotton production in the present season, 1935-36, represents an increase of about 400,000 bales over the last preceding estimate and indicates a record crop in foreign countries. With the official estimate of domestic production at 10,734,000 bales, foreign production is expected to be about 15,266,000 bales of 478 pounds net out of a world total of approximately 26,000,000 bales. This is an increase of nearly 1,300,000 bales or about 9 percent over foreign production in 1934-35.

In spite of the fact that both domestic and foreign demand show some signs of receding, the statement made in the report of last month is still true, namely that, should domestic consumption and exports continue during the rest of the season to show anything approaching the improvement shown thus far over the same period in 1934-35, nearly as much American cotton now in private hands would be required to meet the demand.

On February 29 less than 10,000,000 bales of cotton were on hand in the United States. Roughly 4,900,000 bales were in the hands of the Government, of which nearly 4,500,000 bales consisted of cotton held under the 10- and 12-cent loan agreements. Should domestic consumption and exports during the remaining 5 months of the season be the same as those during the same period last year, only about 1,300,000 bales would be left in private hands at the end of the season even if none of the present Government holdings were made available. A contraction of domestic consumption and exports below their improved level so far this year as compared with last year might take place if the Government did not take advantage of this favorable opportunity to dispose of a substantial quantity of its holdings. Trade reports state that the shortage of American cotton is considerably more acute than is indicated by statistics showing the small supplies of American cotton in merchandising channels around the world. This situation arises from the shortage of certain desirable qualities outside of Government hands. There are surpluses of some qualities, and these cottons are moving into consumption reasonably fast and at relatively low prices.

The Government, through the Producers' Pool, has taken advantage of the favorable situation for the disposal of some of its holdings. Trade reports indicate that the bidding was very active. By February 28 the Pool had reduced its holdings from 618,000 to 456,000 bales or by 162,000 bales. At the close of business on March 5 the Pool's spot stock had been reduced to 407,000 bales, making a total reduction of 221,000 bales since February 13.

Preliminary figures are now available showing the course of world cotton consumption during the first half of 1935-36. According to statistics of the New York Cotton Exchange, world consumption of all kinds of cotton amounted to 13,493,000 bales of approximately 478 pounds net during the 6 months August to January of this season as compared with 12,914,000 bales for the same period last year and 12,934,000 in 1933-34. Consumption this season so far is between 4 and 5 percent above 1934-35 and 4 percent above the same 6 months in 1933-34. The increase over last year is mainly accounted for by a rise in the world consumption of American cotton from 5,665,000 bales to 6,184,000 bales or nearly 9 percent, although the consumption of American so far this year is nearly 1,000,000 bales or 14 percent less than it was during the same 6 months in 1933-34. World consumption of foreign cotton was lower during November, December, and January than during the same 3 months last year, although for the whole period August to January consumption was 90,000 bales more than for the same period last year and 1,557,000 bales more than in 1933-34.

Textile activity during most of February continued to run close to the 1922-1927 average, according to the New York Cotton Exchange Index of Cotton Manufacturing. However, during the last 2 weeks activity has tended to decline. Forwardings of cotton to domestic mills have recently run at about the same rate as last season, whereas earlier in the season they showed a large excess. The volume of cloth sales, while of fair volume, has been lagging behind production and cloth prices have been irregular and margins

on standard unfinished goods have narrowed. With raw cotton prices tending to sag and prevailing uncertainties about processing taxes, trade reports indicate that there has been some hesitation in making cloth purchases ever since the Supreme Court decision on the Agricultural Adjustment Act. Cotton consumption in February amounted to 516,000 bales as compared with 478,000 in February of last year. This is an increase of between 7 and 8 percent over last year. Consumption for the 7 months ended February 28 was between 11 and 12 percent greater than in the same period last year.

In foreign countries mill activity has changed very little from the relatively high level maintained during the last few months. In Great Britain spinning mill activity has shown little change from last month, but yarn sales are lagging behind output. Indications are that British exports are getting away to a poor start in 1936. Figures released by the Board of Trade show that exports of British piece goods in January were 5-1/2 percent below those of a year ago. Forwardings of American cotton to British mills continue to show a large excess over last year, with smaller forwardings of foreign cotton. Forwardings of American cotton to continental mills have fluctuated erratically during recent weeks, but are averaging well above last year. Reports from Japan with respect to mill activity and cotton consumption are rather unfavorable. Trade reports indicate that mill operations are below a year ago, and spinners are having difficulty selling their production. Trade barriers raised by countries importing Japanese textiles are believed to be responsible for a checking of the expansion in Japanese textile exports. The large Indian crop, now moving in volume, and the scarcity of desirable qualities of American cotton are two factors unfavorable to the consumption of American cotton in the Orient.

Exports of American cotton were 406,000 bales in February as compared with 390,000 bales in February 1935. Total exports for the 7 months August to February amounted to 4,410,000 bales, or about 35 percent more than for the same period last year. During the last 2 months exports have failed to maintain the increase over last year which featured the first 5 months of the present season. Exports in January and February were only 11 percent and 4 percent respectively above those for the same months of last year. The failure of foreign mill activity to show any further increase, the appearance of increased supplies of foreign cotton, especially Indian and Egyptian, the scarcity of desirable qualities of American, and price ratios more favorable to the buying of foreign cotton are the principal factors which make it seem probable that exports during the second half of the season will not compare so favorably with those of last year as did those from August to January.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/ (1910-1914 = 100)	Commodity prices: United States: Wholesale 2/ (1910-1914 = 100)	Commodity prices: United States: Wholesale 2/ (1926 = 100)	Commodity prices: Foreign 4/ In foreign currency (1926 = 100)	Interest rates in per-cent 5/	Industrial stock prices in dollars 6/
	1923 - 1925 = 100								
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	106	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	97	4.01	176
1928	111	102	99	149	141	97	97	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	83	3.56	236
1931	81	68	77	87	107	73	73	2.58	139
1932	64	46	64	65	95	65	69	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935 -									
Jan.	91	64	79	107	115	79	71	.88	103
Feb.	89	69	81	111	116	80	71	.88	103
Mar.	88	71	82	108	116	79	71	.88	100
Apr.	86	71	82	111	117	80	71	.81	106
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	70	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	75	85	109	118	80	73	.75	135
Nov.	98	74	85	108	118	81	74	.75	144
Dec.	104	77	85	110	118	81	74	.75	142
1936 -									
Jan.	99	72	83	109	118	80	74	.75	146
Feb.				109	117			.75	152

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Harvard Economic Service, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

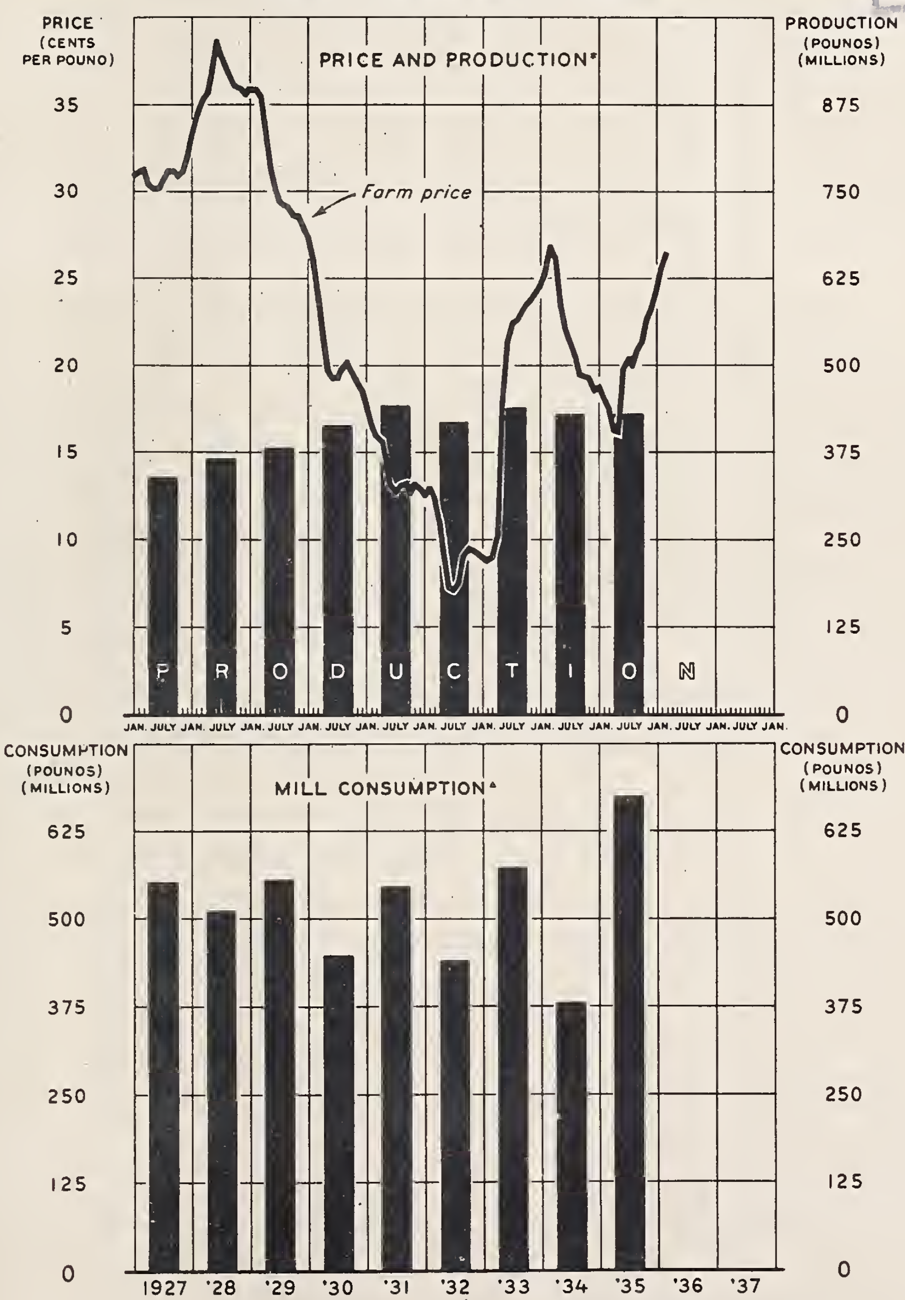
The PRICE SITUATION

APRIL 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON

WOOL: FARM PRICE, PRODUCTION, AND MILL CONSUMPTION, UNITED STATES, 1927 TO DATE



*SHORN AND PULLED ^APPAREL CLASS, GREASE BASIS

U. S. DEPARTMENT OF AGRICULTURE NEG. 31088 BUREAU OF AGRICULTURAL ECONOMICS

THE STEADY ADVANCE IN DOMESTIC WOOL PRICES FROM MAY 1935 TO MARCH 1936 WAS CHIEFLY A RESULT OF THE STRONG DEMAND FOR WOOL IN THIS COUNTRY AND ABROAD. THE LOWER SECTION OF THIS FIGURE SHOWS AN APPARENT TENDENCY FOR DOMESTIC MILL CONSUMPTION TO MOVE IN 2- YEAR CYCLES.

FARM PRICES

Market prices indicate that the general level of farm prices has recovered a little from the sharp decline in the month ended March 15. Prices of cotton, potatoes, hogs and some other products have increased during the last month whereas prices of wheat and dairy products have declined.

Income from the sale of farm products in March continued to exceed that of a year earlier and the payment of rental and benefits on contracts entered into in 1935 was resumed in March. Income from farm marketings in the first quarter of 1936 have totaled 20 percent more than in the same period of 1935. Rental and benefit payments have been considerably less but even when these are included farmers' income in the first quarter was nearly 8 percent above last year.

Domestic wheat prices in the next month will probably fluctuate near present levels unless moisture conditions change materially. Corn prices are expected to be steady to higher in the remainder of April and in May especially for the better grade. Prices of oats and barley will soon be subjected to new crop influences. Indications are that farmers intend to plant about the same acreage of oats and barley as in 1935. Prices of both old and new potatoes are expected to maintain present relatively high levels through the remainder of April but will probably decline seasonally during May and June.

The advance in hog prices in the last month reflects an increased demand for hogs and hog products since supplies have increased considerably. A relatively large seasonal increase in hog supplies is expected in the next 3 months. Supplies of cattle in the next few months are expected to continue fairly large. Prices of the better grades of fed steers may not change greatly during the next few months and may strengthen some after May. Some further seasonal improvement in prices is expected for the lower grades of slaughter cattle. Indications point to a below-average supply of fed lambs for the remainder of the season and an earlier movement of new crop lambs. Consequently prices of fed lambs may make some further recovery and the seasonal decline in prices of new crop spring lambs may come somewhat later than usual.

Butter production is larger than a year ago and it is expected to continue so for several months. However, the decline in butter prices from March to mid-summer will probably be less than a year ago because of the improved demand situation. Egg prices appear to have reached their seasonal low point in March; prices throughout the spring and summer will probably be lower than a year earlier. Chicken prices are likely to remain high during the spring. Available supplies of unmanufactured wool in this country and abroad will be much smaller in the first half of 1936 than a year earlier, but the consumption of wool by domestic mills probably will not be as large as the very large consumption in 1935. Production of shorn wool in the United States is not likely to be greatly different from the production last year but stocks of wool in this country are now much lower than a year ago.

The general level of farm wage rates at 101 percent of the 1910-14 average on April 1 was 7 points higher than on January 1 or April 1, 1935, and the highest April 1 level in 6 years. The rise in farm wage rates from January 1 to April 1 this year was a little more than the usual seasonal increase.

WHOLESALE PRICES

The general level of wholesale prices has declined about 2 percent in the last 2 months to 115.6 percent of the pre-war average in early April, the same as a year earlier. Most of the decline in recent weeks was due to declines in prices of farm products and foods. Prices of hides and leather products and chemicals also declined somewhat in March. The combined prices of commodities other than farm products and foods have been practically unchanged since November. However, they are now about 2 percent higher than a year ago, whereas prices are 4 percent lower for foods and 3 percent lower for farm products. Prices of metals and metal products as a group have been practically unchanged since July 1934.

Wholesale prices in the major European countries have been fairly steady in recent months. The level of prices in England has been unusually stable since October. Wholesale prices in Germany have been steady in 1936 after a rise of nearly 3 percent from May to December 1935. The recent decline in prices of agricultural products in Germany was offset by higher prices of industrial products. Wholesale prices in France, Belgium, and China have continued their advance in recent weeks. The London Economist reports, in substance, that in France money is being brought out of hoarding and exchanged for goods, perhaps because its owners fear a devaluation of the framc or hope for a revival of business, or both.

BUSINESS CONDITIONS

Recent expansion in the durable goods industries points toward an extension of the upward trend of industrial output and a continuation of the increased demand for farm products. While the output of consumers' goods during 1936 will probably exceed that of 1935, no material increase is expected from present levels. Industrial activity in most foreign countries is above the level of a year ago and some further increase may occur but trade restrictions are likely to prevent any material improvement in the foreign demand for American farm products except in the case of cotton where exports in the first 8 months of the 1935-36 crop year exceeded the previous year by 35 percent.

Industrial activity increased seasonally from February to March in spite of temporary interruption due to floods, and the vigorous increase in output of the durable goods industries in the first half of April indicates that the trend of industrial production has again turned definitely upward. The extent and duration of the present business upturn depends primarily upon a continuation of the present high level of the retail sales of automobiles, the increased purchases of equipment by railroads and other consumers of steel and the higher level of building activity as the output of nondurable products during the remainder of the year are not expected to make much more than the usual seasonal changes from present levels.

While the output of durable goods has shown marked improvement during the past 3 years, the level of activity in these industries is still considerably below the level prevailing from 1923 to 1929 and the increase in railroad traffic, the larger earnings of all corporations, the increase in consumer incomes, and the present low interest rates all favor the continuation of the upward trend in the output of durable goods.

Improvement in retail sales of automobiles has been accompanied by increased production, and output is again exceeding the levels of the same time last year. Increased purchases of equipment by the railroads, together with the increased utilization of steel in the automobile and construction industries and by machine tool and farm equipment manufacturers, have raised the level of activity in steel mills to the highest point since June 1930, even after allowing for the fact that the seasonal trend of steel output is now near the high point of the year.

Industrial activity in the nondurable goods industries continues to exceed slightly the levels of a year ago. While there has been a marked decline in the output of wool textiles from the record levels reached in the summer of 1935, activity during the first 2 months of the year still averaged above the same time last year. The output of wool textiles in 1936, however, is not expected to be as large as in 1935. In the first quarter of 1936, cotton textile activity was also slightly higher than a year ago, and it is expected that the output of cotton textiles during the rest of 1936 will continue to exceed that of the same time last year. Activity in silk and rayon textile manufacturers in the first quarter of 1936 was somewhat below the same period last year and the production of leather and leather products has also declined from the high levels reached in December.

Contracts awarded for all types of construction other than public works and utilities during the first quarter of 1936 were nearly twice as large as a year ago, while public works and utilities contracts have been about 58 percent larger than in the same months last year. In spite of marked improvement in building activity in the past year, the amount of construction now under way is much below normal replacements. This is indicated by the Federal Reserve Board's seasonally adjusted index of building contracts awarded which averaged 52 percent of the 1923-25 average in February and compares with an average of 135 percent for 1928, the peak year in building activity. Retail sales of automobiles so far in 1936 have been above the same period last year and increased sharply during the first half of April. Department store sales in March, after allowance for the usual seasonal changes, were the highest since August 1931. Retail sales in small towns and rural areas declined more than seasonally during January and February due to the severe weather but increased sharply during March.

The increase of 20 percent in income from the sale of farm products during the first quarter of 1936 is evidence of the improved demand for agricultural commodities. Incomes of industrial workers during the first 2 months of 1936 averaged 9 percent higher than a year earlier, and, in view of the outlook for increasing industrial activity, it is likely that the incomes of industrial workers will continue to improve relative to a year ago. Net profits of 2,010 corporations increased 42 percent from 1934 to 1935 according to compilations by the National City Bank of New York and this

increase in earnings has been accompanied by increased dividend payments to individuals. The payment of the bonus will also tend to stimulate retail sales, of automobiles, furniture, clothing, etc., and residential building.

The political situation in Europe has overshadowed economic changes during the past month but there is little evidence of any change in the trend in business activity in most foreign countries. The level of industrial production in nearly all foreign countries is now higher than a year ago, but there has been little if any, reduction in trade restrictions. Business activity in Great Britain increased slightly more than seasonally from January to February. The gradual improvement in business activity in France which began last August has continued into 1936, whereas business activity in Germany has been declining since September but is still somewhat above the level of a year ago. There has as yet been no sign of definite improvement in business activity in Holland and Switzerland but activity in most other European countries has continued to improve. Business activity in Japan is gradually getting back to normal following the political disturbances in February.

Wheat prices in the United States in the next month will probably fluctuate near present levels unless moisture conditions change materially. Moisture continues to be badly needed in Missouri and in a large area extending from southern Nebraska and southeastern Colorado southward. On the other hand, moisture in many eastern localities is excessive. The condition of winter wheat on April 1 indicates a winter wheat crop of 493,000,000 bushels, compared with the 1935 crop of 433,000,000 and the 10-year average of 579,852,000 bushels. While this current indication represents a reduction from earlier estimates, under average conditions in the spring wheat area, total domestic production still appears likely to provide a substantial surplus which would result in prices being adjusted to provide a shipping differential between our surplus areas and importing countries. Extremely unfavorable weather would tend to hold the crop close to domestic requirements.

Yields per acre of winter wheat indicated by April 1 condition, with the exception of a few Northeastern States, are generally below average. In the Southern Great Plains, drought conditions in the winter reduced winter wheat prospects, but in the Pacific Northwest the moisture situation improved during the winter with the result that there has been some improvement in crop prospects. In the soft red winter wheat belt the extreme cold apparently caused considerable damage. Condition on April 1 indicates that about 21 percent of the acreage seeded last fall will be abandoned. The 10-year (1923-32) abandonment was 12.6 percent. In general, the abandonment is expected to be above average in the western half of the country and below average in the eastern half. Very heavy abandonment is again in prospect in the southwestern area, including the Oklahoma and Texas Panhandles and adjacent territory.

The United States average farm price of wheat as of March 15 was 90.9 cents per bushel compared with 91.9 cents a month earlier and 85.5 cents a year earlier. Market prices declined generally after the middle of March, influenced by only moderate demand, improved winter wheat conditions,

prospects of an increase in spring wheat acreage, and an easing in the European political situation, and in early April reached the lowest levels since November. Prices recently have strengthened in line with the reduction in winter wheat prospects as indicated by April 1 conditions.

In the event that a surplus continues to be in prospect, a further widening of the spread between domestic and world prices may be expected. On April 14 the September future price at Kansas City closed at 4-3/8 cents under the October Liverpool future. On the basis of current freight rates, a price difference of 12 to 20 cents between Kansas City and Liverpool appears necessary before significant shipments will take place, which indicates a further adjustment of 8 or more cents. New crop futures are materially lower than the old crop future, as evidenced by July contract running about 9 cents under the May. Moreover, in case of a surplus, premiums for cash grain would likely be eliminated; No. 2 Hard Winter at Kansas City, is currently about 6 cents over the May.

While it is too early to forecast world wheat production, a return to more normal yields in the Southern Hemisphere countries and in North America and likely increased production in Russia might more than offset the decline in world stocks and also the prospective decline in European production. This would leave the quantity of the 1936-37 world wheat supply perhaps slightly larger than in 1935-36, and cause world prices to be largely influenced by the return of certain European countries as net importers, changes in world business conditions, and changes in the international exchange situation. France, which is normally an important importer but which has been exporting wheat during the past 2 years, will likely become an importer again this year. With the return of nearer normal yields in Argentina, however, the effects of the free selling policy of that country would again be felt in importing markets.

The surplus of wheat available for export or carry-over in Canada, Australia and Argentina on April 1 appears to be in the vicinity of 331,000,000 bushels this year, compared with 447,000,000 last year.

The April 1 farm holdings of wheat amounted to about 97,000,000 bushels compared with 93,456,000 bushels a year earlier and the 5-year (1928-32) average of about 127,000,000 bushels. The indicated disappearance of wheat from farm stocks since January 1, which was 62,500,000 bushels compared with an average of 44,000,000 bushels in the same period last year and the 5-year average of 121,000,000 bushels, was the smallest except for last year since 1927. The total of farm stocks plus commercial stocks this year was only slightly larger than a year earlier, when it was the smallest since 1926. Stocks in these two positions totaled 149,000,000 bushels this year compared with 145,500,000 bushels on April 1, 1935 and 117,223,000 in 1926. No figures are as yet available for stocks in or in transit to merchant mills or in interior mills and elevators, which last year totaled 188,500,000 and in 1934 totaled 148,500,000 bushels.

CORN AND OTHER FEED GRAINS

Feed grain prices declined in March as the result of heavier marketings and weakness in wheat. Corn and oats advanced in the first week of April, but barley was about steady. With stocks nearly one third larger than average, oats prices late in March declined to a seasonal low so far this season. Steady to slightly higher corn prices, particularly of the better grades, may be expected in the remainder of April and in May, but oats and barley prices will soon begin to be subjected to new-crop influences. Farmers intend to plant a larger corn acreage than last year, but may only seed about the same oats and barley acreage.

Feed grain prices declined in March, but some recovery occurred in early April. No. 3 Yellow corn at Chicago in the week ended March 7 averaged 62.3 cents per bushel, the highest weekly average since early in the 1935-36 season. During the last week of the month (the week ended March 28) the average receded to 59.3 cents, but on April 9 was 60.5 cents. The average price of all classes and grades of corn at five markets reached a seasonal high since November in the week ended February 22, when the prices averaged 58.9 cents per bushel. The average for the week ended March 28 was 53.3 cents and on April 9 the price was 56.1 cents. Oats weakened considerably in March, with No. 3 White oats at Chicago declining from a little above 30 cents per bushel in February to 26.4 cents per bushel on April 9. Barley prices, which have fluctuated much more widely this season than either oats or corn, declined in March, although premiums for malting grades increased over those for the feed types. The spread between prices of malting barley sales compared with those of feed barley at Minneapolis widened to 17 cents compared with about 10 cents per bushel a year ago.

With the termination of the severe cold and wintry weather in February, marketings of feed grains increased sharply in March. Receipts of 18,165,000 bushels of corn at 13 markets during March were 27 percent larger than the 5-year (1930-34) March average, and brought the cumulative total for the 1935-36 season (November through March) nearly up to average. Receipts of oats were 56 percent larger than the March average. Total marketings of oats, July through March this season, were about one third larger than the 5-year average for this period. Barley receipts in March at four important markets were the largest for that month during the post-war period, and were double those for February.

Shipments of feed grains from the 13 markets, however, were not so large as the receipts, and in the case of corn, resulted in an increase of the market stocks. Shipments of corn from the markets during March were not quite one half as large as receipts, and were about 10 percent under the 5-year average shipments for that month. Total shipments of corn for the season to date (November through March) were below those for the same period of the 5 years, 1930-34. Shipments of oats from the markets during March were about as large as those of corn. While the March shipments of oats from the markets were smaller than the receipts of oats, they were larger than the March average. The cumulative total of shipments of oats so far this season (July through March) was slightly above average for this period.

One of the features of the commercial utilization of feed grains in the past month was the larger grind of corn by the wet-process industry. Nearly 6,900,000 bushels of corn were processed for domestic consumption in March by the manufacturers of starch, syrup, sugar, and other derivatives of corn. This was the largest monthly grind since late in 1933, when a proposed change in the processing tax stimulated the grinding of corn. On the other hand, the use of corn in the manufacture of distilled spirits has decreased in recent months. While consumption (tax-paid withdrawals) of whisky has been gradually increasing, production is being maintained at a relatively higher rate, resulting in an accumulation of stocks, which on March 1 totaled 234,000,000 proof gallons, an amount not very far from the record pre-war accumulation in 1913-14. Some of the seasonal decrease in the use of corn for the making of whisky will be offset by a seasonal increase in the utilization of corn products in the production of beer, which so far this season has been about 12 percent greater than in the same period last year.

Farm and market stocks of corn amounting to 784,000,000 bushels on April 1 were about 13 percent below the average on that date in the period, 1930-34. Oats stocks of 533,000,000 bushels, however, were 32 percent above average. The relatively large stocks of oats are the result of a below-average utilization in the first 6 months of this season. The disappearance of corn and of oats in the quarter, January through March, was only slightly under average, but considering the reduced livestock numbers, it reflects the increased feeding requirements because of the unseasonably cold weather in January and February.

Should farmers carry out their intentions as reported by them on March 1, the acreage of feed grains for harvest in the fall of 1936 would be about average. The area of corn to be harvested would be about 98,775,000 acres, or about 6 percent over that harvested in 1935. Not much change is expected in the 1936 oats area, but a slight increase is indicated for barley. In the event that these areas are harvested and average growing conditions prevail, the total 1936-37 supply of feed grains would be much larger than the 1935-36 supply. This would provide each unit of grain-consuming livestock and poultry on farms with more than the average supply of feed grains per head. The cash market for feed grains may not be so favorable as it has been in the past several years.

Foreign corn continues to sift into the United States and further imports of Argentine corn may be expected. However, if the 1936 feed crops in the United States are about average, and the Argentine official price remains at about the present level, imports of Argentine corn in 1936-37 will probably decrease and not be the market factor in the United States coastal markets that they have been so far in 1935-36. The first official estimate of the new Argentine corn crop was 380,000,000 bushels compared with last year's record harvest of 452,000,000 bushels. The carry-over of old-crop Argentine corn on April 1 was probably the largest in recent years, and considering the probability of smaller local requirements in 1936-37, the exportable surplus on April 1, 1936 may have been as large as or slightly larger than that of last season. The Argentine Government continued its price-supporting policy, fixing the new-crop price at 42 cents per bushel compared with 37 cents established for the 1935 crop. Early April prices

at Buenos Aires were only slightly above the basic price. Duty-paid Argentine corn was quoted, April 9, at San Francisco at 76 cents compared with Nebraska corn at 85 cents and locally-grown King Philip corn at 74 cents per bushel.

POTATOES

Both old and new potato prices may be expected to maintain the present relatively high levels through the remainder of April but probably will decline seasonally during May and June. For the present time supplies of both old and new stock are relatively scarce but for the last half of May and early June the delayed new crop is expected to be available in greater than usual volume. Prospects for the late crop indicate that supplies and prices probably will be similar to that of the 1935-36 seasons.

Because of an active seed demand and the lateness of the early crop the supply of old stock potatoes has been diminished rapidly during recent weeks and potato prices generally have advanced sharply from the levels of a month ago. The present supply situation is one of scarcity of marketable potatoes in relation to demand conditions and this has created a strengthening price prospect. During the last month prices have advanced from 30 to 40 cents per 100 pounds in the East and from 20 to 30 cents in the West. It is probable that the April average price will be the season's high and that May and June prices will be respectively lower.

Although the new crop is late in nearly all of the early states, it is anticipated that a fairly heavy movement of new potatoes from the Hasting area of Florida will get under way immediately and from Alabama and Louisiana during May. Production in Florida and the Lower Valley of Texas, the first section of early states, is estimated at 3,279,000 bushels this year or about one-third larger than in 1935 but 14 percent below the 1928-32 average crop. The prospects for the second section of early states is for a crop slightly larger than in 1935 and considerably larger than the average. Owing to a late start, reduced plantings, and unfavorable growing conditions the new crop in the second early states is expected to be nearly one fifth smaller than either last year or the average. This is a strengthening factor in the price situation for late June.

Growers' intention reports indicate that the commercial acreage in the Intermediate States will be reduced slightly this season compared with last season. Also, that the acreage in the late Northern States near the larger markets will be curtailed substantially. Acreage intentions, with average yields, would produce a total crop of about 356,000,000 bushels or about the same as the 1935 crop and slightly less than the 1928-32 average production. The acreage adjustments planned for each region are such that, with average yields, the regional crops this season would be approximately the output of 1935. In the light of this supply situation for the country as a whole and with continued improvement in demand conditions, potato producers might expect prices to remain fairly comparable to those of the 1935-36 season.

Potato prices in market centers have advanced sharply during the last month. New York wholesale prices advanced from $1.74 per 100 pound sack the second week of March to $2.06 the second week of April, while at Chicago carlot prices rose from $1.22 to $1.45. A year ago New York prices averaged $1.09 and Chicago 88 cents. Shipping point prices have made even greater advances than market prices. Maine Green Mountains at Presque Isle, rose from $1.12 to $1.92 f.o.b. sacked per 100 pounds during the last month; Round Whites at Rochester, N. Y., from $1.08 to $1.78, and at Waupaca, Wisconsin, from 96 cents to $1.12. Michigan potatoes at Benton Harbor rose from $1.10 to $1.55; and Russet Burbanks at Idaho Falls rose from $1.02 to $1.38 per 100 pound sack. New potatoes at Florida points advanced from $2.15 to $3.64 during the month and Texas earlys opened at $3.00 per 100 pounds f.o.b. during the first week of April.

The United States farm price averaged 72.3 cents per bushel on March 15 compared with 68.9 cents on February 15, 43.6 on March 15, 1935 and 67.5 cents the March average 1910-14.

HOGS

Hog prices rose gradually during March after declining moderately in late February, and most of the February decline was regained by early April. The advance reflected an increased demand for hogs and hog products since supplies in March were somewhat larger than those in February. Although hog slaughter during the next 3 months is expected to show a relatively large seasonal increase and be much larger than that of a year earlier, the total will be considerably smaller than that of the corresponding periods of other recent years.

The weekly average price of hogs at Chicago rose from $9.99 the last week in February to $10.42 the last week in March, and held unchanged during the first week in April. Prices of heavy butcher hogs advanced slightly more than those of the medium and light weight groups, thus causing the price spread between the various weight groups to narrow slightly. The average price for March of $10.44 was 8 cents higher than the average for February and $1.70 higher than that of March last year when a processing tax of $2.25 per 100 pounds was in effect. The advance in prices, accompanied by an increase in slaughterings and weights, indicated a much stronger demand for hog products than in February when demand was restricted by extremely unfavorable weather conditions.

Hog slaughter under Federal inspection during March, totaling 2,617,126 head, was 13 percent larger than in February, 21 percent larger than the small slaughter in March of last year, and the second smallest slaughter for the month since 1910. The increase over the previous month amounted to 298,000 head. In most years the March total is smaller than that of February. Average weights in March were heavier than in February and above those of March last year. The average for the seven principal markets was 240 pounds, compared with 228 pounds in February and 224 pounds in March 1935.

Although corn prices at Chicago tended to decline during March, the change as between the beginning and end of the month was relatively small. The rise in hog prices, therefore, caused an increase in the hog-corn price ratio from 16.3, the last week in February, to 17.3 the first week in April. The ratio was 10.4 in early April last year. The current very favorable price ratio, together with more abundant feed supplies than a year earlier, is reflected in the heavier average weight of hogs marketed.

Wholesale prices of most cuts of fresh pork advanced during March, and in the case of loins nearly regained the loss that occurred during the last half of February. Prices of most cuts of cured pork continued relatively unchanged from the levels prevailing in February until early April when ham prices rose moderately. Prices of fat backs declined sharply during the first week of March but held steady afterwards. The composite wholesale price of hog products at New York in March was $20.75 per 100 pounds as compared with $20.84 in February and $20.47 in March last year. The index of retail prices of hog products in that city on March 31 was 88.4 as compared with 90.4 on February 29 and 84.4 on March 31, 1935 (1924-1928 = 100). Usually the index increases slightly during March.

Storage holdings of hog products decreased slightly during March, notwithstanding the increase in slaughterings and weights as compared with February. Stocks of pork on April 1, totaling 450,000,000 pounds, were slightly less than the stocks reported March 1, and were 36 percent smaller than the 5-year average for that date. Lard stocks, totaling 77,000,000 pounds, were about 2 percent smaller than those reported on March 1, but were 26 percent smaller than a year earlier and the 5-year April average.

Exports of both pork and lard declined materially in February, and those of pork were the smallest for the month in many years. Although exports of lard also were very small, they were larger than the monthly exports of last summer and fall. Exports of both pork and lard in February amounted to less than half of the volume of such products exported in the corresponding period a year earlier. Shipments of pork from the principal ports in March were smaller than in February but shipments of lard abroad tended to increase. As hog slaughter increases in this country during the remainder of the year, it is probable that exports of pork and lard will show some increase from the present low level. The total, however, will probably be less than the average volume exported during the years 1930 to 1934.

Hog slaughter during each month of the remainder of 1936 is expected to be considerably larger than in the corresponding period a year earlier when the total during most months was the smallest in 25 years. The expected increase in slaughter, however, will not bring the total for the period up to the levels of other recent years. Average weights also are expected to exceed those of the previous year. Current storage supplies, on the other hand, are smaller than those of a year earlier. After offsetting the decrease in storage holdings against the expected increase in supplies of products from slaughter, the total supply of products for consumption during the remainder of the marketing year which ends September 30 probably will be from 20 to 25 percent larger than that of the corresponding period last year.

CATTLE

Supplies of cattle in April, May, and June are expected to continue fairly large and slaughter during this period will probably exceed that of a year earlier. The supply this year will include a much larger proportion of fed steers than a year ago and the proportion of the better grades will make a seasonal increase. Prices of the better grade fed steers may not change greatly during the next 2 months and may strengthen some after May. Prices of lower grade slaughter cattle may show some further seasonal improvement in April and May.

The movement of cattle prices during March followed rather closely the seasonal trend for the month; the better grades of beef steers declined steadily but moderately and the lower grades tended to hold steady or advance. As a result the spread between common and choice grades narrowed further and for the week ending April 4 was only $3.71 compared with $4.51 a month earlier and $5.87 a year earlier. The prices of better grades of butcher cattle were fairly well maintained during March and those of the lower grades tended to improve. As the pasture season approaches the demand for stocker and feeder cattle improved and prices tended to advance and the spread between the average weekly prices of beef steers and of stockers and feeders at Chicago became very narrow, some weeks being less than $1.00. The average monthly price of beef steers at Chicago for March was $8.65 compared with $8.37 for February and $10.77 for March 1935. Compared with February, good and choice grades averaged lower and medium and common higher. The March 15 farm price of beef cattle was $6.12 compared with $6.19, the February 15 and $6.55 the March 15, 1935 prices. The market prices of veal calves tended to weaken during the first half of March, but to strengthen during the second half. The March 15 farm price of veal calves was $7.55, a sharp drop from $8.58 a month earlier, but higher than the $6.97 a year earlier.

Supplies of cattle for slaughter in March continued large. Receipts at seven leading markets were 18 percent larger than the small receipts in March a year earlier and 8 percent larger than the 5-year March average. Inspected slaughter of 763,000 head was 11 percent larger than in March 1935 and was the fourth largest for the month on record. Inspected slaughter of calves of 482,000 head was 2 percent larger than a year earlier and was the second largest for the month on record. Supplies of all grades of beef steers at Chicago were larger in March this year than last and the total of all grades was nearly 35 percent larger, but was below the 5-year March average. March was the first month in over a year and a half in which the number of good and choice steers was larger than for the corresponding month a year earlier. The percentage of cows and heifers in the total slaughter apparently continued to decrease in March. In February the percentage was 49.43, compared with 56.29 in February 1935 and with 47.29 the 10-year February average.

Shipments of stocker and feeder cattle from markets to country points tended to increase seasonally in March and was somewhat larger than in March 1935, but in the first 2 months of the year was much smaller than in these months of 1935. The severe cold weather and snow-blocked roads over large areas of the Corn Belt in January and February of this year tended to restrict the purchase of stockers and feeders. The better demand for such cattle in March was a price supporting factor of some importance in the beef steer markets.

The demand for meat apparently improved considerably in March over February. Slaughter of all species was larger in March than in February and total slaughter was larger than in March 1935, yet the prices of all species tended to strengthen. Further improvement in consumer demand during the next few months, which is not unlikely, may be sufficient to offset to considerable extent the effects of increased supplies of livestock for slaughter that are expected during those months.

LAMBS

With the supply of fed lambs for the remainder of the season apparently below average and a delayed movement of new crop lamb, prices of fed lambs may make some further recovery and the seasonal decline in prices of new crop spring lambs may come somewhat later than usual.

New crop lambs had largely supplanted fed lambs in the California slaughter supply by the end of March and shipments in some volume of both California and Arizona lambs reached midwestern markets the latter part of March. Feed conditions in California in March were not favorable for developing of the early lambs as rainfall was almost entirely lacking and pastures and ranges started to dry up. Good rains late in the month and in early April were expected to bring considerable improvement and eliminate the necessity for an early shipment of the new crop of lambs. Weather and feed conditions during much of March were unfavorable in most of the other early lambing areas and delayed marketings and below average quality seemed probable early in April.

Prices of slaughter lambs, after reaching the lowest level of the fed lamb season early in March, when the top at Chicago went below $10.00 made a substantial recovery during the last half of the month. This recovery — brought the level of prices up to about what it was during the last half of January, but still substantially below the level of December. During the first part of March heavy lambs - 100 pounds and over - met with a substantial price discrimination but during the latter part of the month this differential tended to be eliminated. The first shipments of new crop Arizona lambs reached Kansas City the latter part of March and sold at prices about $1.50 a hundred higher than did the initial shipments in 1935. Prices of slaughter ewes reach the highest levels of the season in March. The average price of good and choice lambs at Chicago in March was $9.90 compared with $10.00 in February and with $8.17 in March 1935. The March 15 farm price of lambs was $8.10 compared with $8.31 and $6.67, the prices of February 15 and March 15, 1935, respectively.

The supply of slaughter lambs in March was about average for the month. Inspected slaughter of 1,374,000 head was practically the same as in March 1935 and about 1 percent above the 5-year March average. Reflecting the heavier weights of feeder lambs last fall, and the favorable feeding season in the Western feeding areas, the proportion of heavy lambs was above average and the average live weight of lambs slaughtered in March was fairly high, with quality much better than a year ago. Shipments from Colorado and Western Nebraska continued heavy during March, being nearly 500 double deck cars larger than in March of either 1935 or 1934. The estimated number still in feed lots about March 21 this year was 665,000 head, compared with 740,000 head a year earlier and 705,000 head 2 years earlier.

BUTTER

Butter prices declined sharply from mid-February to the end of March with the increase in shipments following the severe weather of late January and early February and the seasonal increase in production. The decline in prices from March to mid-summer will probably be less than a year ago. Butter production is larger than in 1935 and will probably continue larger for several months. Consumer demand for butter is better than a year ago, and prospects are for a better demand for storage during the coming summer than in 1935.

The price of 92-score butter in New York in March averaged 32.2 cents. This was 4.7 cents less than a month earlier, but 0.5 cents higher than a year earlier. The decline in price from February to March was decidedly greater than the usual seasonal decline and the index number of prices which is adjusted for seasonal variation declined from 118 in February to 102 in March. After allowance for the usual seasonal change, prices in March were at about the same level as in December. A further seasonal decline in prices from March to mid-summer is in prospect.

The farm price of butterfat in mid-March of 31.7 cents per pound was 3.2 cents less than a month earlier but 0.5 cents higher than in March 1935, and the highest for the month since 1930. From mid-February to mid-March the farm price of feed grains rose slightly. In March the relationship between butterfat and feed prices was not as favorable for dairy production as a month earlier, but was favorable as compared with the 15-year average 1920-1934.

Estimated production of creamery butter in February of 108,000,000 pounds was 6.8 percent larger than a year earlier. Part of this increase was due to an extra day in February 1936. After allowance for the difference in the length of the month the increase was about 3 percent. Increases in production over the same period of 1935 will probably continue for several months and total production for the first half of 1936 will exceed the same period of 1935.

In each group of States except the New England, butter production in February exceeded the same month of 1935 by at least 5 percent. In the East North Central States the increase was 7 percent and in the West North Central States, 6 percent.

Trade output of creamery butter in February was 7.4 percent larger than a year earlier, but 5 percent less than the 1931-35 February average. Retail prices in February were 1.7 percent higher than in the same month of 1935. These changes indicate an increase of 9 percent in consumer expenditures for butter to the highest level for the month since 1930. Estimated consumer expenditures for butter in February were 17 percent less than the 1925-29 February average. Consumer expenditures for butter will probably continue larger than in 1935.

Storage stocks of butter are at about the seasonal low point of the year. The 1935-36 season was a favorable one for storage operators. A relatively large volume of butter was moved out of storage when prices were decidedly higher than during the into-storage period. The margin between prices during the into-storage and out-of-storage period was 7.5 cents. In the last 20 years there have been only 7 in which the margin was wider than during the past season. This indicates a good demand for butter for storage during the coming summer.

In early April the margin between the price of 92-score butter at New York and New Zealand butter in London was 11.1 cents compared with 14.2 cents a month earlier. This margin will probably narrow with a further seasonal decline in domestic prices. There is little probability of any large volume of imports during the next 6 months.

CHEESE

Cheese prices declined slightly from February to March and the decline from March to midsummer will probably be relatively small. Cheese production is large but has tended to decline in relation to butter. Trade output of cheese is large and estimated consumer expenditures for cheese in February had recovered to about the pre-depression level.

The price of cheese (twins) on the Wisconsin Cheese Exchange in March averaged 13.9 cents; 0.3 cents lower than in February but 0.9 cents less than a year earlier. The decline in price from February to March was somewhat less than the usual seasonal decline, and it is probable that the decline in prices from March to midsummer will be relatively small.

Cheese production continues unusually heavy. Estimated production in February was 25 percent greater than a year earlier and 11 percent greater than the preceding high for the month in 1934. The decline in cheese production from January to February was considerably greater than the usual seasonal decline. In the case of butter, the increase from January to February was somewhat greater than usual. It appears that the low price of cheese compared with butter is having an effect on cheese production.

Trade output of cheese in February was 17 percent greater than in February 1936 and 9 percent greater than the preceding high for the month in 1934. Retail prices of cheese in February were up 4 percent from February 1935. These changes indicate an increase of 22 percent in consumer expenditures for cheese, to the highest level for the month since 1930 and about the same as the 1925-29 February average.

During the recovery of the last 3 years the estimated consumer expenditures for evaporated milk recovered to about the pre-depression level (1925-29) in 1934, while expenditures for cheese reached the pre-depression level in early 1936. Expenditures for butter, however, are still nearly 20 percent below the 1925-29 average. Somewhat the same sequence occurred during the recovery period following the depression of 1920-21.

Storage stocks of American cheese on April 1 of 62,300,000 pounds compare with 54,800,000 pounds a year earlier and the 5-year average of 46,700,000 pounds.

Imports of cheese in February were 3,800,000 pounds compared with 4,100,000 pounds a year earlier, a decline of about 7 percent. Imports from Canada were 629,000 pounds compared to 49,000 pounds in February 1935.

POULTRY AND EGGS

Market prices of eggs fell sharply in early March from the peak reached during the cold weather in February. Throughout the spring and summer egg prices will probably be lower than in 1935. Receipts of eggs were greater in March than a year earlier and slightly greater than the March 5-year average. Storage stocks of shell eggs are lower than a year ago, however, indicating a heavier rate of consumption than a year earlier.

The farm price of chickens fell from February to March with an unseasonal increase in receipts. With low storage stocks of poultry, however, chicken prices are likely to remain high during the spring.

The market price of eggs (mid-western special packs) at New York averaged 23.5 cents a dozen in March, 9.1 cents less than in February, and .6 of a cent less than in March 1935. On April 8 the price was about 22 cents. The farm price on March 15 was 17.5 cents, a decline of 6.3 cents from February 15 and 1.1 cent less than a year earlier. The farm price of chickens on March 15 was 16.6, .3 of a cent less than in mid-February, but 2.4 cents above the price a year before.

Receipts of eggs at the four markets in March were 1,695,000 cases compared with 1,415,000 cases a year earlier and a 5-year average of 1,610,000 cases. Receipts until summer are likely to continue greater than a year earlier, through not by so great an amount as in March.

Receipts of dressed poultry at the four markets in March were 14,200,000 pounds compared with 12,600,000 pounds a year before and a 5-year average of 16,900,000 pounds. The increase of 500,000 pounds from February is quite unusual. It is not likely that receipts will continue above those of 1935.

Storage holdings of frozen poultry, too, are low, 69,500,000 pounds on April 1, as compared with 83,700,000 pounds a year ago and a 5-year average of 74,000,000 pounds.

Storage stocks of shell eggs have not accumulated to the same extent as last year, being 802,000 cases on April 1, as compared with 1,508,000 cases a year earlier and a 5-year average of 1,428,000 cases. This is due partly to severe weather, heavier consumption, and a poor demand for storage.

WOOL

Available supplies of unmanufactured wool in this country and abroad will be much smaller in the first half of 1936 than a year earlier, but the consumption of wool by domestic mills in 1936 probably will not be so large as the very large consumption in 1935. Production of shorn wool in the United States is not likely to be greatly different from the production in 1935, but stocks of wool in this country are now much smaller than a year ago. Some weakness in domestic prices of wool has developed in recent weeks, but wool prices in foreign markets have continued very firm. The margin between foreign and domestic prices has been sufficiently large in the last few months to permit substantial imports of wool by the United States.

Little trading was reported in the Boston wool market in March and early April. Prices of territory wools were almost entirely nominal and showed no change during this period. Quotations for fine strictly combing territory wools averaged 94 cents per pound for the week ended April 4, compared with an average of 66 cents per pound in the corresponding week of 1935. Territory 56s averaged 81.5 cents for the week ended April 4 and 56 cents a year earlier. Prices for Ohio and similar fleece wools at Boston declined about 1 cent per pound grease basis, during the first week in April. The United States average farm price of wool on March 15 was 26.5 cents per pound compared with 25.6 cents on February 15 and 17.4 cents on March 15, 1935.

Prices at the close of the second series of the 1936 wool sales at London on March 24 were generally 5 to 7-1/2 percent higher than at the close of the previous series on January 30. The quantity of wool available for this series was somewhat smaller than usual for this season of the year, supplies of Australian wool especially being limited. The selling season in Southern Hemisphere markets is drawing to a close and it appears that the carry-over of wool in most selling centers will be very small. On March 1 this year apparent supplies of the 1935-36 clip on hand in the five principal wool producing countries of the Southern Hemisphere were 24 percent smaller than a year earlier and 10 percent smaller than the 5-year average supplies for that date.

Imports of apparel class wool into the United States have increased greatly in the last few months. Large orders for wool were placed by United States dealers in foreign markets as it became apparent that supplies of domestic wool would be limited for several months before the new domestic clip becomes available. Imports of such wool for consumption in February totaled 9,417,000 pounds compared with 8,747,000 pounds in January and 1,754,000 pounds in February 1935. Total imports in recent months have been somewhat larger than imports for consumption. Entries of foreign wool into bond warehouses in this country in recent months have exceeded withdrawals and stocks of apparel class wool in such warehouses at the end of February were the largest since May 1934. About 21,000,000 pounds of this class of wool were held in bond at the end of February, an increase of

10,000,000 pounds from the low point reported at the end of last June. Stocks of foreign wool held in bond at the end of February 1935 amounted to 13,000,000 pounds.

Consumption of wool by United States mills continued large in the early months of 1936 at a rate somewhat below the unusually high level of the last half of 1935. The weekly average consumption of apparel class wool in the 4 weeks ended February 29 was 6,122,000 pounds scoured basis, compared with an average of 5,645,000 pounds in January and 4,830,000 pounds in February 1935. At the peak of activity in October 1935 consumption averaged 7,395,000 pounds per week. When the mill consumption figures are adjusted for seasonal variation there has been a decline in every month since October.

The tendency for a 2-year cyclical movement in domestic mill consumption of wool is indicated in the figure on the cover page of this report. It will be observed that since 1927 consumption has been high and low in alternate years. This cyclical tendency probably occurs because mills apparently process wool in excess of actual consumer requirements for wool goods in years when conditions in the wool industry are favorable and prices relatively high. This large consumption apparently leads to an accumulation of stocks of manufactured and semi-manufactured goods which in turn tends to curtail mill activity the following year. With increases in consumption in any year frequently being accompanied by advances in the price of wool, mill consumption of reworked wool and wool substitutes the following year is encouraged, while consumption of raw wool is discouraged by the high prices of raw wool. Thus in the second year mill consumption apparently declines and stocks of manufactures and semi-manufactures are disposed of. In years when consumption is low stocks of raw wool tend to accumulate and wool prices tend to decline, with both factors tending to stimulate an increase in mill consumption the next year.

In 1935 mill consumption of apparel class wool was very large and wool prices advanced materially in the last 8 months of the year. This increase in consumption in 1935 was preceded by the lowest annual consumption on record in 1934. Thus conditions in the wool industry are such that a decrease in consumption in 1936 from the 1935 level is probable. Also a part of the large mill consumption in 1935 was due to large government orders for wool goods which are not likely to recur in as large a volume in 1936 as in 1935.

Some slackening in wool manufacturing activity has been reported in the United Kingdom in the last few months. However, wool consumption in that country was unusually large in 1935. Conditions in the wool textile industry of France and Belgium continued favorable during January and February. In Germany mill activity has shown a slight decline chiefly because of the difficulty of procuring raw materials of adequate quality. Developments in the wool industry in Italy continue very unsatisfactory as a result of many restrictions necessitated by military operations and sanctions.

COTTON

The tendency for domestic cotton prices to sag during January and February was halted early in March, and they have shown increased strength during the past month. Desirable qualities of American cotton for both domestic consumption and export continue to be very scarce, although the Producers' Pool has reduced its holdings of spots by over 400,000 bales since February 4. Attention is now centered in the recent announcement of the Commodity Credit Corporation which announces a plan to permit the disposition of a substantial part of the cotton now in the Government loan stock. Both foreign and domestic mill activity continued at high levels during March. Exports from the United States in March showed a more marked improvement over March 1935 than did exports in January and February over the same months last year.

The price of Middling spot cotton at the 10 markets has been relatively steady during the past 5 weeks, although there has been a decided, if moderate, tendency for prices to rise. The average price of Middling 7/8 inch in the 10 markets for the month of March was only 11.38 cents as compared with 11.32 cents in February, but the average weekly price advanced from an average of 11.18 during the week of March 7 to 11.61 for the week ended April 4.

In spite of large supplies of foreign cotton now moving into consumption and price ratios in foreign markets more favorable to the consumption of this cotton and the continued sale of spot cotton by the Producers' Pool, prices have tended to move upward, probably because of a continued high level of domestic mill activity, a continued large volume of exports as compared with the same period last year, continued scarcity of rainfall in the western part of the Belt and its effect on new crop prospects, and the increasing scarcity of spot cotton in domestic trade channels.

The ratio of three types of Indian to two grades of American at Liverpool was 84.1 in December, 83.1 in January, 81.7 in February, and 80.1 in March. However, notwithstanding the tendency during recent months for the price of foreign cotton to decline relative to the price of American, price relationships at the present are more favorable to the consumption of American cotton in foreign countries than was the case a year ago.

Of the approximately 9,000,000 bales of cotton on hand in the United States at the end of March, nearly 4,500,000 bales were held under the loan agreements and about 250,000 were in the Producers' Pool. At the end of March last year approximately 10,200,000 bales were on hand in the United States, of which about 5,100,000 bales were so held. This leaves a relatively small supply of "free" cotton available for the remainder of the present season. The comparatively high level of mill activity and increased volume of exports result in a comparative shortage of spot cotton.

In order that a reasonable amount of the loan cotton may be made available to world markets between now and picking time for the new crop, in competition with cotton grown in other countries, as well as for the domestic market, the Government through the Commodity Credit Corporation announced on April 4 that it will release to producer-borrowers or their authorized agents up to 1,000,000 bales of cotton held under the 1934 12-cent loan 1/, or whatever fraction of 1,000,000 bales borrowing-producers may desire to sell prior to September 1, 1936. Producers may obtain the cotton from the Commodity Credit Corporation by paying to the Corporation an amount equivalent to 25 points less than the average market price of Middling 7/8-inch staple at the 10 markets on the preceding day. Provided, however, that no cotton under the 12-cent loan will be released for less than 11-1/4 cents per pound, and no cotton held under the 11-cent loan will be released for less than 10-1/4 cents per pound. Present stocks in the latter amount to only about 76,000 bales.

The latest report by the Bureau of the Census on cotton ginned places the American crop at 10,635,000 bales of 478 pounds net. This is a reduction of 99,000 bales from the previous figure of 10,734,000 bales. No reduction has been made, however, in the previous estimate for a world crop in 1935-36 of approximately 26,000,000 bales of 478 pounds net. The estimate of foreign production has been raised from 15,266,000 to 15,365,000 bales or by the amount of the decline in the domestic crop, on the basis of indications that production in China and Brazil will probably be larger than was previously estimated.

World cotton consumption so far this year has been running at a record breaking annual rate of about 27,000,000 bales, according to the New York Cotton Exchange Service. This compares with a previous maximum of 25,800,000 bales in 1928-29. World consumption of American cotton has been running well above a year ago, 7,190,000 bales from August to February as compared with 6,597,000 bales during the same 7 months last year, but it is below the average of 7,291,000 in the past 5 seasons, and the record high rate of world consumption is due primarily to the very high rate at which the world is using foreign growths.

It will be seen from the estimates of production and consumption that world consumption of all cotton is running in excess of world production. All of this excess of consumption over production applies to American cotton. Unless there is a decline in the rate established in the first 7 months of this year, world consumption of American during the season will amount to about 12,300,000 bales. With an American crop of 10,635,000 bales such a consumption would mean a reduction in the world carry-over of American of nearly 1,700,000 bales, as compared with the carry-over at the end of last season. Even if allowance is made for a moderate amount of reduction in

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1/ Twelve cents loaned on cotton of 7/8-inch staple or above and 11 cents on cotton less than 7/8-inch in staple length, but both loans are commonly referred to as the 12-cent loan.

the present high rate of consumption, room still is left for a significant reduction in the world carry-over of American cotton.

Mill activity in the United States during March continued to run at about the 1922-27 level. During most of the month of March stocks of unfinished cloths were accumulating as a result of insufficient new business and the high rate of mill operation, and at the present time unfilled orders are reported to be very small for this time of year. It is reported that the trade expects this situation to be corrected shortly through an increased demand from buyers of cloth. Domestic consumption in March amounted to 549,000 bales as compared to 482,000 bales in March 1935.

British mills are reported to be maintaining operations at the relatively high rate at which they have been running since early in November 1935. On the Continent in general there was little change from the fairly active conditions prevailing in recent months. Forwardings of American cotton to mills continue to run well above last year in all the major European countries. The feature of the foreign mill situation during February and March was the improvement in the Japanese spinning trade. Yarn production increased considerably in February as compared with January and was, with the exception of the record production for February last year, the highest production for any February. Trade reports are to the effect that yarn and cloth sales in Japan have exceeded current output during March and that prospects are that a large volume of demand will continue and mill activity be maintained during the next few months.

Exports of American cotton amounted to 405,000 bales in March, an increase of 28 percent over the same month last year. This is a greater improvement over March of last year than was shown in January and February, but it is still not so great a relative improvement as that which occurred during the first half of the present season. This improved level of exports during March came about not only as a result of continued increased purchases by most European countries as compared with last year but also because of increased shipments to Japan, where the tendency to substitute large quantities of Indian cotton on account of its lower cost has been partly offset by depleted stocks of American.

The PRICE SITUATION

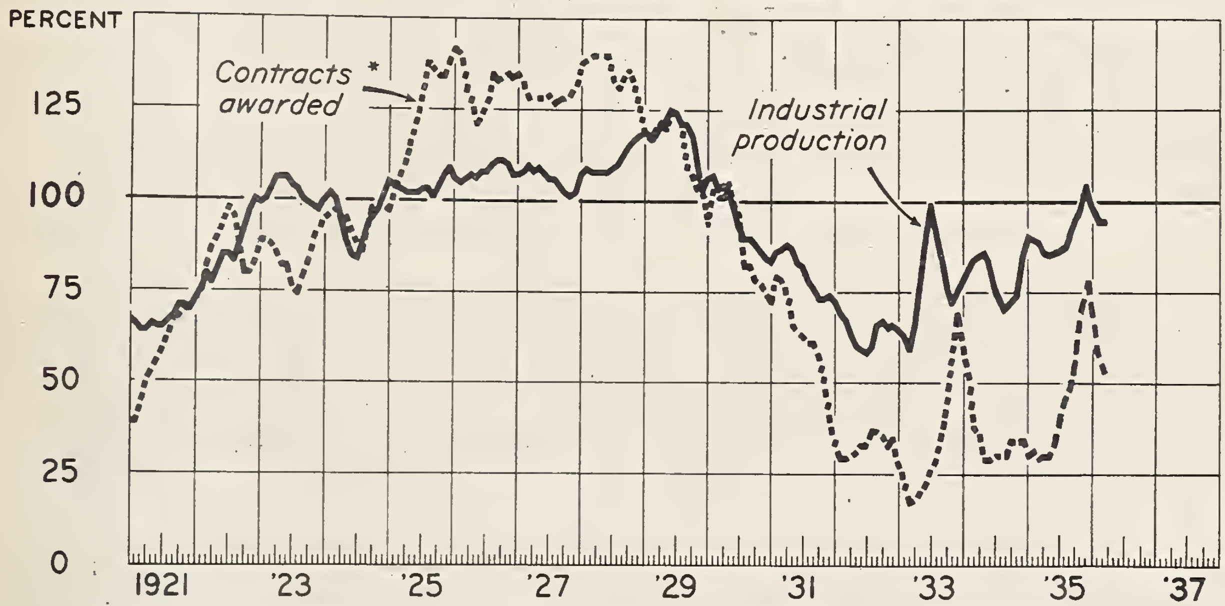
MAY 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON

Industrial Production and Construction Contracts Awarded, 1921 to Date

INDEX NUMBERS (1923-1925=100) ADJUSTED FOR SEASONAL VARIATION

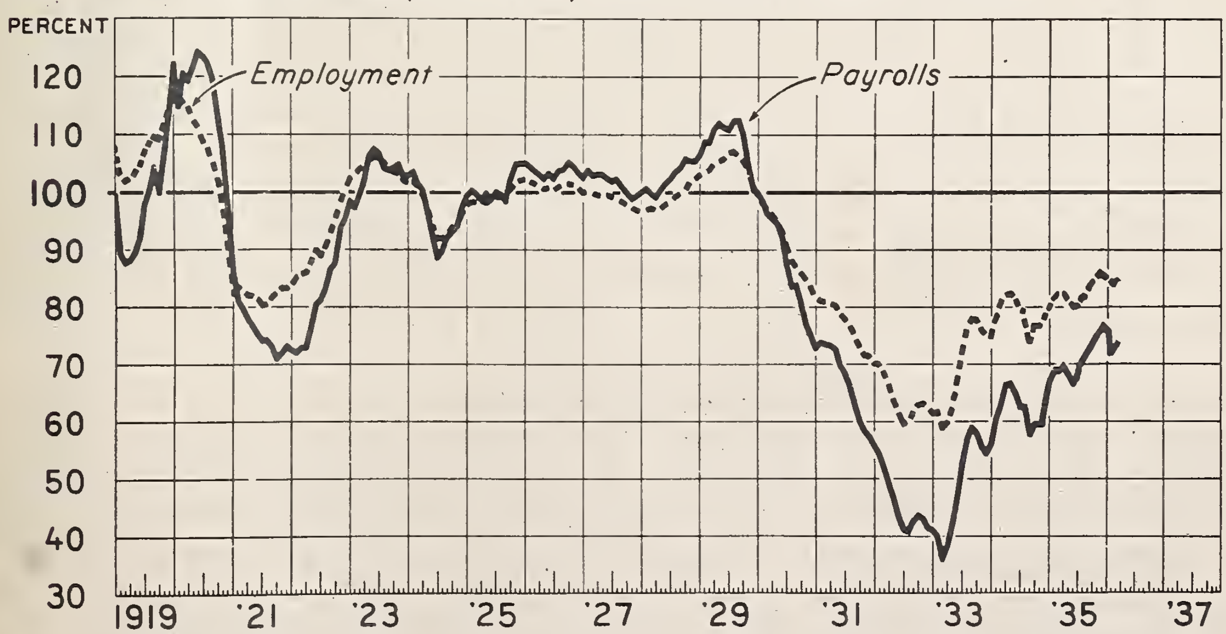


* VALUE OF CONTRACTS AWARDED IN 37 STATES ADJUSTED TO 1923-1925 LEVEL OF BUILDING COSTS.

U. S. DEPARTMENT OF AGRICULTURE NEG. 20951-B BUREAU OF AGRICULTURAL ECONOMICS

Industrial Employment and Payrolls, 1919 to Date

INDEX NUMBERS (1923-1925=100) ADJUSTED FOR SEASONAL VARIATION



U. S. DEPARTMENT OF AGRICULTURE NEG. 23967-B BUREAU OF AGRICULTURAL ECONOMICS

FARM PRICES

The general level of farm prices, after a 1 point rise in April, appears to have resumed the downward trend that began in January. Prices of wheat, cattle, hogs, butterfat, and wool have declined considerably in the last month, whereas egg prices have risen a little.

With prospects for a smaller winter wheat crop and a reduced carry-over of wheat on July 1 it is now very uncertain whether or not the United States will be faced with a sufficiently large exportable surplus to reduce wheat prices to export levels. On the basis of the present forecast for winter wheat and of the intended spring wheat acreage under average yields, the total wheat crop for 1936 would be about sufficient to meet domestic requirements. Corn prices advanced in April and early May with an improvement in the demand from feeders and industries accompanied by smaller market supplies. Steady to higher corn prices may be expected for the next month or two. An increased acreage of rice is being planted this year, especially in California. Present indications are for a downward seasonal price adjustment when the new rice crop begins to be marketed in volume in July and August. Increased market supplies have resulted in a sharp decline in prices of new potatoes since a month ago, whereas prices of old stock potatoes advanced somewhat. Cotton prices have declined a little recently following a moderate upward trend in March and April. World consumption of all growths of cotton is at a record high level and prospects are for a considerable reduction in the world carry-over of American cotton.

Hog prices began their seasonal decline in late April following an advance throughout most of the late winter and early spring. The recent decline in hog prices followed a seasonal increase in slaughter supplies and weakness in cattle prices. Although a considerable part of the expected seasonal decline in hog prices has already taken place it is possible that the low point will not be reached until late June or early July. Cattle prices continued to weaken in April and early May especially for the better grades of beef steers. Supplies of cattle for slaughter during the next few months will no doubt continue large and little improvement in prices is expected until late summer or fall when a seasonal advance in the better grades of steers usually occurs. Lamb prices are expected to be fairly well maintained at least until the middle of June or about the level prevailing in early May, with some further advance possible in prices of spring lambs if a temporary shortage occurs. The seasonal drop in lamb prices that usually occurs about the first half of June may be delayed somewhat this year.

Butter prices declined seasonally from March to early May, and although some further decline is likely it seems probable that prices during the summer will average higher than a year earlier, and the highest for any summer since 1930. Cheese prices have been declining seasonally owing in part to heavy production and large stocks. Egg prices rose steadily in April but they are still below those of a year earlier and are likely to continue so until late summer. Domestic wool prices declined sharply in April. Although the supply of wool available in the United States in 1936 will be materially less than in 1935, wool manufacturing also is expected to be below the high level in 1935.

Prices received by farmers declined a little more than prices paid in the year ended April 15, 1936 with a drop of 1 point in the unit exchange value of farm products, to 86 percent of the pre-war level. The index of prices received by farmers in mid-April at 105 percent of the pre-war level was 1 point less than in March, 6 points less than a year earlier, and the lowest since July 1935. The index of prices paid by farmers was estimated at 121 in April (1910-1914=100), the same as in March, compared with 127 a year earlier.

WHOLESALE PRICES

The Bureau of Labor Statistics index of wholesale prices, after a temporary rise in the first half of April, resumed its slight downward trend to the lowest level since July 1935. The Annalist index of wholesale prices is now at the lowest level since the end of 1934. Changes in prices of farm products and foods have dominated the movement of the wholesale price level in recent weeks. General rains in the mid-West resulted in lower wheat prices, and heavier marketings have depressed prices of meat animals. Prices of textiles, chemicals, drugs, hides, and leather products have continued to decline a little.

Despite some decline in recent months, wholesale prices of the major commodity groups have been characterized by a high degree of stability in the last year, at about 20 percent below the 1926 level. The price relationships among the major groups are not greatly different from those which existed in 1926. There has been little net change since a year ago in prices of raw materials as a whole, whereas prices of semimanufactured articles have risen a little and prices of finished products have declined slightly. Compared with a year ago, prices of farm products and foods are lower, prices of nonagricultural products are the same, and prices of all commodities other than farm products and foods are somewhat higher.

Wholesale prices in the major foreign countries were steady to slightly lower in April. Prices in France declined nearly 1 percent from March to April, after a continuous rise for 8 months. Prices in England, Canada, and Japan, as in the United States, are now a little lower than in January. In Germany, prices advanced slightly in April to the highest level of the entire recovery movement, the most substantial rise occurring in feed and vegetable foods, which more than offset the sharp seasonal decline in prices of coal. Prices in China (Shanghai) have risen a total of 3 percent since the abandonment of the silver standard early in November.

BUSINESS CONDITIONS

While some seasonal slackening occurred in a few lines of industrial output during the first half of May, the decline was no larger than usual and the seasonally adjusted index numbers of industrial output continue near the high point of the recovery period. Some further seasonal decline may occur in the next few months, but it is not expected that the decline in activity will be greatly different from that which usually occurs during the summer months. Both farm income and the incomes of industrial workers are now at about the highest level since the latter part of 1930, after allowance for seasonal changes, but they are still less than three-fourths as

large as the average for the period 1924-29. Additional gains in the level of industrial activity would further increase the incomes of farmers and of urban workers. Replacements and repairs of buildings and equipment and new residential building afford the greatest field for further expansion.

Industrial output increased sharply in April and has since made about the usual seasonal changes. Most of the increase in activity was the result of greater output in the automobile and steel industries. Steel output has been stimulated by the larger requirements for the automobile, farm implement, machine tool, building, and railroad industries. Other heavy industries, particularly manufactures of railway equipment and electrical supplies, also have shown marked increases in output in recent months, heavier railroad traffic and increased electrical power consumption have accompanied the improvement in industrial output.

The improvement in retail sales in March was followed by further improvement in most lines in April. Retail sales in rural areas increased further in April and, after seasonal adjustment, equaled the highest point reached since 1929. Preliminary indications are that retail sales of automobiles were near record proportions for the month. Variety store sales also increased more than seasonally from March to April. On the other hand, department store sales lost a part of the sharp increase which occurred in March, but were still above April a year ago. The Federal Reserve Board of Governors seasonally adjusted index of department store sales was 81 percent of the 1923-25 average in April compared with 88 percent in March and 73 percent in April last year.

The improvement in business conditions has been accompanied by further increases in employment and pay rolls. The seasonally adjusted index of the incomes of industrial workers in March was 70 percent of the 1924-29 average or within 1 point of the peak reached in December and January. It is probable that when the estimates for April and May become available they will record new high levels for the recovery period. This increase in incomes of industrial workers is being accompanied by increases in farm income. During the first quarter of 1936 cash income from farm marketings exceeded those in the same period a year earlier by 20 percent, and a substantial increase over the same period last year is expected in the second quarter. While farm income in the second half of the year will depend to some extent on crop yields, it is probable that if industrial activity is maintained at the levels now in prospect the income of farmers will continue to exceed that of a year ago. So far in 1936, Government payments to farmers have been considerably less than a year earlier, but, if the remaining rental and benefit payments still to be paid farmers on 1935 production-adjustment contracts are made in the next few months and extensive payments on the 1936 Soil Conservation program are made before the end of the year, Government payments to farmers during the remainder of 1936 will be larger than in the same months of 1935.

While activity in several lines of industry is now at a level equal to or considerably above that which is necessary for normal replacement, there are other lines of industrial activity much below normal. This is particularly true of construction in general and of improvement and replacement of worn out and obsolescent equipment. Residential building is still at very low levels. Since July 1935 residential contracts awarded have made about the usual seasonal changes and have averaged only 25 percent of the corresponding period of 1923-25. This is less than half the residential construction

required to meet normal replacements and the increase in population. Residential vacancies are now declining and are at about normal proportions in most cities. The increase in consumers' incomes is being accompanied by some decline in the doubling-up of families and by an increase in marriages. In view of these trends, further increases in residential construction seem probable. On the other hand, there apparently is still a surplus of office and factory buildings and little building other than improvements and replacements is in prospect in this field.

Railroad purchases of rails and equipment have been far below normal replacement since 1930. Recently there have been reports of shortages of certain lines of equipment, and early in 1936 railroads began increasing orders for equipment. In the first quarter of 1936, rail orders were more than twice as great as a year earlier and orders for freight cars and locomotives were nearly 10 times as great as at the same time last year. The recent improvement in freight traffic and net earnings of railroads is likely to be accompanied by further increases in the replacement of equipment. During the latter part of 1935 and the first part of 1936 there has been a marked increase in the purchase of machine tools for bringing factory equipment up to date, and further expansion is in prospect. Consequently, while some industries are operating at levels above normal, and some recession may occur as necessary replacements are met, it is likely that this will be at least offset by further increases in the industries supplying materials for residential construction and for the replacement of equipment.

The latest report indicates that the recovery in industrial output has been world wide in spite of political and financial uncertainties in several countries. Industrial activity in Great Britain continues near record levels, with the output of both durable goods and consumption goods unusually high. The recovery in France which began last October has apparently continued in spite of the uncertain financial situation. Reports from Germany indicate a slow but steady increase in exports of manufactured products, particularly to Latin-American countries. Business conditions in Japan have shown little change during the past month.

WHEAT

Less favorable winter wheat crop prospects together with prospects for a reduced carry-over on July 1 now make it very uncertain whether or not the United States will be faced with a sufficiently large exportable surplus to reduce prices to export levels. With a winter wheat crop indicated at only about 464,000,000 bushels, the size of the surplus will be largely dependent upon the outturn of spring wheat. On the basis of intended acres and present growing conditions it appears reasonable to assume that the spring wheat crop may bring the total wheat outturn to about 700,000,000 bushels. With prospective July 1 carry-over stocks reduced both in quantity and milling quality, a crop of this size probably could be largely or entirely absorbed in this country. Domestic prices under such circumstances would average above export levels. Exceptionally favorable growing conditions in the Spring Wheat Belt and no further deterioration in the winter wheat area would be necessary for the crop to be sufficiently large to result in a surplus for export at prevailing world price levels.

Conditions of winter wheat as of May 1 indicate a production of about 464,000,000 bushels compared with the forecast of 493,000,000 bushels a month ago. The May indication is only 7 percent above last year's small production and the fifth light crop of winter wheat in succession. It is estimated that the abandonment of acreage seeded for the 1936 crop has been 24.4 percent, which leaves 35,932,000 acres for harvest. Condition of the crop remaining for harvest was reported at 67.0 percent of normal on May 1 compared with 75.3 percent on May 1, 1935. Below average yields of winter wheat are in prospect in almost all sections of the country, with the greatest reduction appearing in the group of States extending from Montana and South Dakota to New Mexico and Texas. Reductions in prospective production since the April 1 report are the result of continued droughty conditions in the Southern Great Plains, particularly in the States of Kansas, Oklahoma, and Texas. While rains have been widespread since May 1 over most of the area where they were most urgently needed, from western Kansas to the Rio Grande River, a large acreage of the grain seeded last fall had already been lost. In a rather considerable southwestern area there is still a scant supply of moisture in the subsoil and final outturn is largely dependent upon the receipt of well distributed rains during the remainder of the growing season.

The size of the spring wheat crop will depend largely upon weather conditions during the rest of May and through July. Studies made by the Bureau of the effect of weather upon yield in the spring wheat area indicate that variations in June temperatures are most important in affecting yields, whereas April and May precipitation and July temperatures, respectively, are next in importance. Precipitation in the Spring Wheat Belt during April averaged less than 50 percent of normal, with South Dakota receiving the most moisture and North Dakota the least. Precipitation for the first 10 days in May, however, has been above average in Minnesota and eastern Montana, and only slightly below average in eastern South Dakota. Elsewhere it was only about 50 percent of average. Work is about 8 days late in the Spring Wheat Belt and there has been a tendency for farmers to seed on poorly prepared land.

Total wheat stocks in the United States on April 1, 1936 are estimated at 278,000,000 bushels compared with 294,000,000 bushels a year ago. Making allowance for likely disappearance and reduced imports during the remainder of the season, a carry-over of about 120,000,000 bushels is indicated for July 1, 1936. While this is about the size of the carry-over stocks prior to the accumulation of large surpluses which began in 1928, supplies of milling wheat probably will be reduced to a minimum as a result of the poor quality produced last year.

The United States average farm price of wheat as of April 15 was 86.3 cents per bushel compared with 90.9 cents a month earlier and 90.2 cents a year earlier. Market prices rose generally after the middle of April, dominated by deterioration in the winter wheat crop, but then declined as rains relieved the drought and more favorable conditions developed in the spring wheat area. No. 2 Hard Winter at Kansas City and No. 1 Dark Northern Spring at Minneapolis declined 10 and 9 cents, respectively, from the average of the week ended April 25 to the week ended May 9, while No. 2 Red Winter at St. Louis and No. 2 Hard Amber Durum at Minneapolis declined 8 and 7 cents, respectively. On May 11 the September futures price at Kansas City

closed at 9-1/8 cents under the October Liverpool future. On the basis of current freight rates, exports of any significance would require a price difference of 12 to 20 cents between Kansas City and Liverpool.

The wheat acreage for the 1936 harvest in the 23 countries for which reports are available is about 1 percent greater than the acreage for the 1935 harvest, when the same countries represented 90 percent of the Northern Hemisphere wheat acreage, exclusive of Russia and China. In Canada, an increase of about 3 percent is indicated. In that country seeding operations will again be late, but soil conditions are very satisfactory for germination and early growth. In Europe, excluding Russia, estimates of acreage are about 4 percent less than last year. Winter wheat in most European countries is reported to be in a satisfactory condition. Conditions in all Danubian countries are reported as excellent. Owing to excessive rains, crop prospects in western Europe, especially in France, Spain, and Portugal, are only fair. The wheat acreage in North Africa is about 11 percent below last year's acreage. Prospects in eastern Algeria and in Tunisia are very poor as the result of drought and high temperature. The outlook in Morocco, however, is only somewhat below average.

CORN AND OTHER FEED GRAINS

Corn prices advanced in April and early May. The seasonally heavy marketings and the weakness in wheat were more than offset by the better market demand from feeders and industries, and the small market supplies. Oats and barley prices were only slightly higher. Steady to higher corn prices may be anticipated in May and June. Oats and barley prices will be influenced by crop developments which will very largely depend on weather conditions.

Corn prices, after declining sharply in the latter part of March, recovered in April and in early May were at about the highest point for the 1935-36 season to date. All classes and grades of corn at five markets averaged 53.3 cents per bushel in the last week of March, and 61.2 cents in the week ended May 9. No. 3 Yellow at Chicago averaged 59.3 cents in the week ended March 28 and 63.6 cents in the week ended May 9. Prices of oats and barley recovered some of the late March loss. No. 3 White oats at Chicago were 27.6 cents and No. 3 barley at Minneapolis was 53.2 cents per bushel in the week ended May 9. The United States farm price of corn advanced slightly from March 15 to April 15, but oats and barley declined. The April 15 farm price of corn was 57.2 cents; oats, 25.4 cents; and barley, 38.6 cents per bushel. The hog-corn price ratio remained unusually favorable for feeding.

The marketings of corn continued relatively heavy in April and early May. Receipts of corn at 13 markets during April were about one-fifth larger than the 5-year (1930-34) April average. Shipments of corn from these markets, however, were only about 71 percent of the average shipments for that month, with the result that commercial stocks, while small, increased slightly. Corn in store and afloat at 41 domestic markets aggregated 8,419,000 bushels on May 11, being only about two-thirds as large as a year ago. Approximately 6,000,000 bushels of corn were processed into products for domestic consumption in April by the wet-process industry. The market movement of oats was materially reduced in April. Receipts at 13 markets during that month

were only 72 percent of the 5-year (1930-34) April average, while the shipments were 67 percent of average. Market stocks decreased during April, and on May 11 totaled 34,000,000 bushels. However, these stocks are about three times as large as those in store a year ago.

Planting of the 1936 corn crop got under way in the first half of May. Farm work on the new crop was generally delayed by the cool April weather. Most sections east of the Mississippi River had better-than-normal rains in April, but moisture was seriously deficient over a large area in northern Texas, Oklahoma, and much of Kansas. The first 4 months of 1936 were the driest on record in Kansas, Arkansas, Missouri, and Oklahoma. Subsoil moisture is generally low in the tier of States from Texas to North Dakota. A continuation of these unfavorable conditions would result in another short crop in the western part of the Corn Belt. The 1935 corn crop was only about two-thirds of the 5-year (1928-32) average. Rains early in May partially relieved the droughty condition. Oats and barley were up to good stands in most of the Central West, but ranged from poor to an entire failure in Oklahoma and Texas. The May 1 condition of oats in the South Atlantic and South Central States was reported at 49 percent of normal or 23 points below average. A lack of good seed corn and oats was reported in many States. The California barley crop made good progress in April, with prospects for about an average crop or somewhat under last year's unusually large harvest.

RICE

Southern rice prices advanced in recent months, but California rices were mostly steady. Marketings of rough rice were seasonally light in March and April because stocks on farms were quite small. Shipments of milled rice into trade channels were about average. The seeding of a larger acreage is under way, and since yields of rice do not fluctuate much, a 1936 crop as large as, if not larger than last year's, is indicated. If such a crop is obtained, a rather sharp seasonal price adjustment may be expected with the movement of the early new-crop rices in July and August.

Rough rice prices were about steady to higher in March, April, and early May. The April 15 farm price was $3.10 per barrel (162 pounds) compared with $3.07 on March 15. Sales of southern Blue Rose late in April were made at as high as $4.00 per barrel. No. 1 paddy f.o.b. California shipping points remained at $2.02 per 100 ($3.27 per barrel). Mill receipts of southern rough rice in March totaled 232,000 barrels and in April 161,000 barrels. Total mill receipts of rough rice so far this season have been 7,797,000 barrels compared with 7,544,000 barrels in the same period a year ago. The movement of California rough rice was small in April, with mills either reducing their stocks or purchasing only sufficient amounts to cover current orders.

Shipments of southern milled rice into trade channels in April amounted to 78,800,000 pounds against 97,900,000 pounds in March. Exports increased sharply in April over those for any of the preceding several months, and, with fairly large shipments to Puerto Rico, it is evident that domestic takings had declined sharply. The movement of California rice to Hawaii in April was greater than that for March, which brought the seasonal total

since August close to average. Shipments of southern rice to Puerto Rico in April, however, were smaller than in March. The total movement this season to date is below that of last year.

Planting of the new crop was practically completed in Louisiana early in May, and was nearing completion in Arkansas and Texas. While a larger southern acreage is in prospect, the lack of moisture and the low level of irrigation water in certain areas may limit the increase. Seeding of the California crop is expected to be completed by about May 20. Present indications suggest an increase of about 25 to 30 percent in the California acreage over last year's seedings, which were small.

POTATOES

Market prices of new potatoes declined sharply during the last month, whereas prices of old stock advanced. The decline of new-potato prices was due to the seasonal increase in supply. In addition to the early crop in Florida and Texas, market supplies have been drawn from California, Alabama, and Louisiana during the last few weeks, and shipments are just starting from South Carolina.

Production of new potatoes in the second section of early States is forecast at 10,476,000 bushels, or about 6 percent more than the harvested crop of 1935. On the other hand, the prospects in the second-early States are for a crop about one-fifth smaller than that of last year. Although very little information is available concerning crop prospects in the intermediate States, the intended acreage, with average yields, would indicate potato supplies in these States slightly larger than those of a year ago but considerably below average. Therefore, the probable supplies in the early and intermediate States, not yet harvested, would indicate that marketings of new potatoes from now until the first of August will be only moderate. There appears to be no indication of market pressure during any part of the present early and intermediate season unless there happens to be a large supply of home and market-garden potatoes produced in the Northern States, similar to the large crop produced in that area last year.

Prices of new potatoes at city markets declined seasonally during the last month. At New York, prices declined from an average of $4.46 per 100 pounds on an l.c.l. basis to $3.10 in April, but then recovered sharply in the first week of May to $3.64. A year ago they averaged $2.05 per 100-pound sack, after a precipitous drop from the preceding week brought about by heavy shipments from South Carolina. At the same market, old-stock potatoes (mostly from Maine) advanced from $1.80 the first week of April to about $2.40 per 100 pounds the first week of May. A year ago they averaged 97 cents. New potatoes at Chicago declined from $4.62 per 100 pounds to $3.09 during April and continued this downward trend during the first full week of May. At this time last season new stock in Chicago averaged only $2.28. Old-crop round whites advanced at Chicago during the last month from $1.25 to $1.67 per 100 pounds.

Prices of new potatoes at shipping points followed very closely the trend at market centers. Southern Louisiana points averaged $1.85 per 100 pounds, f.o.b. cash track, in the first week of May compared with $1.35 a year ago, while prices at Alabama shipping points averaged $2.15 against $1.65 a year earlier. At Hastings, Florida, Spaulding Rose potatoes declined from $7.00 per barrel to about $4.00 during the last month. The total rail and boat output of new potatoes increased sharply to 2,400 cars for the week ended May 9, compared with 1,620 cars for the same week last spring. Total shipments of new stock to May 9 this season were about 7,660 cars, or 1,600 more than to the same time in 1935.

Owing to the short supply of old potatoes remaining for market, the prices at shipping points rose sharply during the last month. At Presque Isle, Maine, prices of Green Mountains advanced from $1.48 to about $2.02 per 100 pounds, f.o.b.; at Rochester, New York, round whites rose from $1.28 to $1.87; and at Waupaca, Wisconsin, they advanced from $1.08 to $1.33 per 100-pound sack on an f.o.b. basis. Carlot movement of old potatoes decreased to about 1,640 cars for the first full week of May against 2,370 for the same week in 1935. The season total to date amounted to 138,000 cars, or 11,350 less than to May 11 last year. Maine shipped 665 cars in the first week of May and Idaho about 360 cars.

United States farm prices of potatoes averaged 81.1 cents per bushel on April 15, compared with 72.3 cents on March 15, 49.1 cents on April 15, 1935 and 68.8 cents the April average for 1910-14.

TOBACCO

Tobacco prices during the 1936-37 season are likely to average lower than in either of the previous 2 seasons. The total supply for the season will probably be more than 300,000,000 pounds above normal. A prospective upward trend in consumption of tobacco products and the possibility of increased exports appear unlikely to offset entirely the effects of increased supplies.

Based upon the general trend of stocks, manufactures, and exports, a carry-over at the beginning of the 1936-37 season of about 2,259,700,000 pounds (farm sales weight) is indicated. This is an increase of about 1.7 percent over the carry-over at the beginning of the 1935-36 season. A carry-over of this size plus the indicated production of 1,178,600,000 pounds (based on March 1 intentions to plant and average 1923-32 yields) would result in a supply of about 3,438,300,000 pounds for the 1936-37 season.

Statistical analyses indicate that the demand for tobacco products is relatively inelastic, though there is a tendency to increase consumption somewhat with increased employment and pay rolls. Some increase in domestic consumption over the previous year may be expected, since employment and industrial incomes are improving and population is increasing.

With prospects for lower prices, exports in 1936-37 may be higher than in 1935-36, depending somewhat upon the available stocks in the importing countries. Information concerning stocks in foreign countries is not generally available. It is known, however, that stocks in the United Kingdom, one of the largest importers of American tobacco, are at a high level.

The principal factors affecting changes in the farm price of tobacco are changes in the supply of tobacco and in the incomes of industrial workers. The record high supply of 1931-32 together with a relatively low level of income of industrial workers resulted in the low farm price of 8.2 cents. With a reduction of 187,000,000 pounds in the supply of 1932-33, a farm price of 10.5 cents was obtained. The stimulus afforded by the marketing agreement during the season of 1933-34 and by the control programs for the seasons of 1934-35 and 1935-36 raised prices during those years even though supplies were well above normal. With a relatively large supply in prospect (assuming normal growing condition) and the absence of a crop control program, prices for the 1936-37 crop of all tobaccos may be considerably lower than in the last 2 seasons. Demand for tobacco products has improved due to increased employment and pay rolls, but this improved domestic demand and a possible increase in exports probably will not be sufficient to absorb the excess supply of all tobaccos which now seems likely.

Flue-cured tobacco is predominantly a cigarette type. It is also the largest export type, representing about 70 percent of United States exports. Cigarette consumption (during the period January-March 1936) as represented by tax-paid withdrawals was 12.5 percent above what it was during the same period in 1935. Exports of flue-cured tobacco during the period July-March 1935-36 were about 28 percent above those in the same period of 1934-35. Flue-cured tobacco represents about 45 percent of the indicated supply for the 1936-37 season.

Burley is consumed almost entirely in domestic manufacture. Probably one-third is used in the manufacture of cigarettes, while the remainder is used largely in the manufacture of chewing and smoking tobacco. Tax-paid withdrawals during the period January-March 1936 indicate a 4.5 percent increase in smoking and chewing tobacco consumption over the same period of 1935. Burley represents about 27 percent of the indicated supply for the 1936-37 season.

Maryland tobacco is used largely as a cigarette blend in domestic manufacture, and in recent years from about one-half to one-third of the crop has been exported. Exports during the period January-March 1936 were 76 percent above those for the same period in 1935. Maryland tobacco represents about 2 percent of the indicated total supply for the 1936-37 season.

Fire-cured and dark air-cured tobaccos are used in the production of chewing and smoking tobacco and snuff. Exports of these types have been decreasing for several years, partially because of increased production of competing types in foreign countries. Although increases in the consumption of smoking and chewing tobacco of 4.5 percent and of snuff of 1.8 percent were indicated during January-March 1936 over the same period in 1935, it is not likely that this increase will become noticeably greater during the year, as with improved pay rolls there is a tendency to shift to the higher-priced tobacco products.

Cigar-leaf is nearly all used in domestic manufacture. Cigar consumption during the period January-March 1936 shows a 4.9 percent increase over the same period in 1935. With increased employment and pay rolls it is reasonable to believe that a small increase in cigar consumption will continue. However, the March 1 acreage intentions indicate an acreage increase of 16.0 percent for filler tobacco; 29.0 percent for binder tobacco; and 1.0 percent for wrapper tobacco.

Practically all tobacco markets have closed for the 1935-36 season and practically all of the 1935 crop, except Maryland and the cigar types, has been sold. Prices, by types, received by producers for the 1930 to 1935 crops, are shown in the following table:

Tobacco: Weighted average price received by producers for the crop marketing season, 1930-35

Types	1930	1931	1932	1933	1934	1935 1/
	Cents	Cents	Cents	Cents	Cents	Cents
Flue-cured	12.0	8.4	11.6	15.3	27.3	20.0
Fire-cured	8.5	5.1	6.2	9.1	10.8	8.8
Burley	15.5	8.7	12.5	10.5	16.9	19.1
Maryland	26.6	15.0	16.8	17.8	17.5	18.5
Dark air-cured	7.9	3.4	4.2	7.3	7.6	8.0
Cigar, filler	8.3	6.8	4.5	5.4	9.0	10.4
Cigar, binder	15.3	8.7	6.9	8.6	12.1	12.6
Cigar, wrapper	68.7	62.8	50.7	57.7	75.1	72.3
All types	12.8	8.2	10.5	13.0	21.3	18.3

1/ Preliminary.

The 1935-36 season began with a carry-over of 2,220,900,000 pounds (farm sales weight), the third largest carry-over on record. This together with the increase of 215,200,000 pounds in production over the 1934-35 season resulted in an available supply of 3,517,700,000 pounds, the largest supply on record.

Consumption of tobacco products in the calendar year 1935, as indicated by tax-paid withdrawals, showed an increase in consumption of cigars of 3.4 percent above the previous year. The consumption of cigarettes was a record high of 134,600,000,000, an increase of 7.2 percent over that of 1934. Consumption of smoking and chewing tobacco declined about 1.0 percent from 1934 and was a record low. Snuff consumption declined 2.9 percent from 1934 and was the lowest for any year since 1921.

Exports for the crop year 1935-36 are not available, but a tentative estimate based upon exports through March indicates that exports of all types will be about 469,000,000 pounds (farm sales weight). This is about a 19 percent increase over the previous season, about 10.8 percent less than the 1933-34 season, and about 5.9 percent more than the 1932-33 season.

HOGS

Hog prices began their seasonal decline in late April, following a rising tendency throughout most of the late winter and early spring. The decline was especially sharp in early May and during the second week of the month prices were about $1.40 per 100 pounds below the highest levels of the year reached in April. The increased market movement of fall-farrowed pigs is the major cause of the decline, although the marked weakness in cattle prices may be a contributing factor. Although a considerable part of the expected seasonal decline has already taken place it is probable that the low point will not be reached until late June or early July.

The weekly average price of hogs at Chicago declined from $10.61 per 100 pounds the week ended April 18 to $9.77 the week ended May 9, after being maintained for several weeks around the $10.50 level. Prices of the heavier hogs declined relatively more than those of the lighter weights. The average price for April of $10.47 was 23 cents higher than the average for March and 10 cents above that for February but was $1.53 higher than that of April last year when the processing tax of $2.25 per 100 pounds was in effect.

Hog slaughter under Federal inspection during April, totaling 2,559,000 head, was about 2 percent smaller than that in March but was 17.5 percent larger than the very small slaughter of April last year. Seasonal expansion in slaughter operations, reflecting increased marketings of fall-farrowed pigs, started during the week ended April 25 and is expected to continue until sometime in June before the usual summer decline in marketings gets under way. The extremely unfavorable weather of late January and most of February apparently retarded the finishing of many hogs that were being fed then for the spring markets, thereby delaying somewhat the beginning of the seasonal increase in slaughter. Average weights in April were about the same as those of March but were somewhat heavier than the averages of a year earlier. The weighted average for the seven principal markets was 241 pounds, compared with 240 pounds in March and 230 pounds in April last year.

There was little change as between March and April in the monthly hog-corn price ratio computed on the basis of Chicago prices, although there was a decrease of 1.3 points between the ratio at the end of March and that at the end of April. The ratio for the latter month was 16.6 whereas that for March was 16.8. In April last year it was 10.0.

Wholesale prices of fresh pork advanced sharply in New York during April, following a sharp decline for 1 week at the beginning of the month, but they broke rapidly in early May when supplies increased. Prices at Chicago also moved up during most of April but declined late in the month.

Prices of most cured products were steady to higher during April as compared with those in March. Prices of fat backs, however, continued the decline which has been under way for some time and in early May were nearly 40 percent below those prevailing at the beginning of the year. The composite wholesale price of hog products at New York in April was $20.99 per 100 pounds compared with $20.75 in March and $20.62 in April last year. The index of retail prices of hog products in that city on April 30 was 88.6 compared with 88.4 on March 31 and 86.0 on April 30, 1935 (1924-1928 = 100).

Storage holdings of both pork and lard increased slightly during April. Stocks of pork on May 1, totaling 456,000,000 pounds, were 1 percent larger than those reported April 1, but were 19 percent smaller than those of a year earlier and 35 percent smaller than the 5-year average for May 1. Stocks of lard increased 8 percent during April, but the total on May 1, amounting to 83,000,000 pounds was 18 percent less than that reported a year earlier and 25 percent less than the 5-year average for that date. The decrease in stocks of hog products from the totals reported a year earlier is equivalent to about 800,000 hogs of average slaughter weight. This decrease will offset in part the expected increase in numbers and weight of the slaughter supply from May to September inclusive, over that of the corresponding period of 1935. The increase in numbers is expected to total at least 3,000,000 head, or about 35 percent, and the increase in weight will be the equivalent of 300,000 to 400,000 hogs of the weights slaughtered in the May to September period last year.

Although supplies of all hog products during the remainder of the marketing year (May to September), measured by current storage holdings and the yield from slaughter during the period, will probably be about 20 percent larger than those of a year earlier, the increase will be relatively very much greater in lard than in pork and will be offset to some extent by a stronger consumer demand than prevailed in 1935. The average price for the 5-month period probably will not be greatly different from that of the first quarter of 1936.

CATTLE

The cattle market continued weak during most of April, with the general trend of prices downward. The weakness was most marked with the better grades of beef steers, and more with medium and heavy weights than with light weights. The average weekly prices of good and choice steers declined steadily during the month and for the last week of the month were at the lowest levels since December 1934. In 1935 the prices of better grade steers advanced steadily from January to the week ended May 4, when the average weekly price of choice steers at Chicago reached the peak of $14.45, about $4.00 higher than the first week in January. This year prices have declined steadily since the middle of January, and the average weekly price of choice steers at Chicago the week ended May 2 was $9.59, a decline of about $3.70 from the middle of January. The usual price trend of the better grades is downward during the first 4 or 5 months of the year, so the movement this year has been in the usual direction, but the amount of the decline has been unusually large. In only 3 other years of record have price declines as large or larger than this year occurred, and these were in the beginning years of business depressions when all prices were declining.

The usual trend of lower grade steers and of most grades of butcher cattle is upward during the first 4 or 5 months of the year. Common grades of beef steers advanced somewhat in price until toward the end of March and then declined, and at the end of April they were at about the level of early January. Medium beef-steer prices strengthened somewhat during January, but since then the trend has been slightly downward. The prices of lower grades of butcher cattle have been fairly steady during most of 1936, but the better grades of heifers have declined somewhat, as have the better grades of beef steers. Prices of stocker and feeder cattle were fairly strong until the middle of April and then declined somewhat, but the spread between the average monthly prices of beef steers and of stocker and feeder steers at Chicago narrowed to less than $1.00 for April. The average price of all beef steers at Chicago for April was $8.42, compared with $8.65 in March and $11.10 in April 1935. The April 15 farm price of beef cattle was $6.27 compared with $6.12 in March and $6.71 in April 1935.

Supplies of cattle continued large during April. Receipts at seven leading markets were 7 percent larger than in April 1935 and about 3 percent above the 5-year April average. Inspected slaughter of 812,000 head was 19 percent larger than in April 1935 and 20 percent above the 5-year average. Slaughter of calves of 525,000 head was the second largest for the month on record and 11 percent above the 5-year April average. While the total number of beef steers at Chicago in April was over 30 percent larger than the very small number in April 1935, it was the second smallest for the month in the 14 years of record. The number of choice steers was but little larger than in April 1935 and was much below the average for the month. The number of good beef steers was below average for the month and the proportion of the total was not abnormal. Because of the relatively large number of cattle being fed this year in areas outside the usual Chicago market territory, and also because of the relatively large slaughter of cattle at interior packing plants, bought direct, it is fairly certain that the character of receipts at Chicago does not reflect the commercial cattle supply to the extent that it has in other years. While the proportion of cows and heifers in the slaughter supply is declining, it is still above average for the time of year. For March, the proportion was much below March 1935 but still above the average for the month.

Imports of cattle continue fairly large. In March, the number, not including breeding cattle, was about 51,000 head compared with 52,000 head in March 1935. A somewhat larger proportion came from Canada this year than last, but the number of heavy cattle (over 700) from Mexico was over 25 percent of the total of such cattle, whereas in March 1935 the imports from Mexico included only a few head of this class. For the 3 months, January to March, imports were about 100,000 head compared with 95,000 in 1935, but the proportion from Canada was up from about 22 percent last year to 39 percent this year and the proportion of heavy cattle was up from about 17 percent to 46 percent. The inspected slaughter of cattle and calves in the United States during the same 3 months was about 3,763,000 head.

The decline in cattle prices has reflected the declines in the wholesale and retail prices of beef, but these declines have been larger in wholesale than in retail prices. On the basis of a 1,000-pound steer of good grade the average cost of the live animal at Chicago dropped from

$119.10 in April 1935 to $88.30 in April 1936, a decline of $30.80, or about 26 percent; the value of the carcass at wholesale in New York dropped from about $106.00 to $80.00, a decline of $26.00, or 24.5 percent, the value of the beef at New York retail prices dropped from $147.92 to $130.85, a decline of 17.07, or about 12 percent. The larger supplies of beef resulting from the increases in the number and weight of cattle slaughtered explains, in large part, the decline, although a part of it may have been the result of a readjustment in the relationship of cattle prices to wholesale and retail beef prices. At the same time, the index of retail pork prices April 15 this year was 89.7 compared with 85.4 a year earlier, and hog slaughter in April this year was 17.5 percent larger in numbers, and weights were also heavier.

Supplies of cattle for slaughter during the next few months are expected to continue large, with the proportion of fed cattle larger than a year ago, but probably not up to the average of other recent years. The number of cattle on feed in the Corn Belt States April 1 this year was estimated as 28 percent larger than on April 1, 1935, but probably the second smallest number for that date in 10 years. There is some indication that the poor gains from feeding in January and February, caused by the extreme cold and poor quality of corn, resulted in quite a few cattle being carried over into the late spring that normally would have been marketed in February and March. With the present narrow price spread between feeder cattle and fed beef steers and the current unfavorable returns from feeding and the relatively high price and scarcity of corn in some States, there is little incentive to put cattle on feed. Hence it is likely that supplies of fed cattle for late summer and fall markets will be relatively smaller than during the period when most of the present supply of cattle in feed lots is being marketed. While little improvement in prices from present levels is expected before July because of the relatively large supply of fed cattle and the sharply increased hog slaughter, a normal seasonal advance in prices of better grade steers is not unlikely during the late summer and fall, especially if business conditions continue to improve.

LAMBS

Lamb prices are expected to be fairly well maintained until about the middle of June around levels prevailing early in May, with some further advance on spring lambs if temporary shortages develop. The seasonal drop in prices that usually occurs during the first half of June may come somewhat later this year.

Prices of slaughter lambs advanced rather sharply during April. Toward the end of the month the top on fed wooled lambs at Chicago reached $12.65, the highest for any month since 1930 and for any April since 1929, and an advance of about $2.00 from the first week of the month. Prices of new crop lambs also advanced during the month, but the spread between fed-wooled lambs and spring lambs was relatively small for April. Some recession in prices occurred early in May but the new level was around $2.00 per 100 pounds higher than during the low period of the season in March. The average price of good and choice wooled fed lambs at Chicago for April was $10.98 compared with $9.90 for March and $8.11 for April 1935. The April 15 farm

price of lambs was $8.46 compared with $8.10 a month earlier and $6.58 a year earlier. Prices of slaughter ewes also advanced during April to the highest level for the month since 1930.

Supplies of lambs dropped rather sharply during April. Receipts at seven leading markets were 21 percent smaller than in April 1935 and 26 percent below the 5-year April average. Inspected slaughter of 1,266,000 head was 15 percent less than in April 1935 and 10 percent below the 5-year April average. April was the only month this year when slaughter was below that of the corresponding month a year earlier. The sharp decrease in slaughter in April compared with March was in marked contrast to other recent years, during most of which April slaughter has been equal to or above March. The decrease in supplies in April compared with April 1935 was mostly in supplies of fed lambs. The slaughter of new crop lambs was probably about as large as in April last year, and the slaughter of ewes and other sheep was probably larger.

Supplies of lambs during May are expected to continue relatively small, with fewer fed lambs and a considerably smaller supply of new crop lambs. The number of lambs remaining in Colorado and western-Nebraska feed lots early in May was considerably smaller than a year earlier, and in other feeding sections the number on feed was also smaller. Conditions remained unfavorable for development of the early, new crop lambs in most States except California. Shipments from that State to eastern and other points to the first of May this year were considerably smaller than a year earlier and were the third smallest since 1929. Shipments in May will be fairly large, but with a considerably larger proportion of feeder lambs than in May last year. Shipments of sheep from Texas in May will be considerably larger than a year ago, with some increase in spring lambs. On the other hand, marketings of new crop lambs from other early lambing States are expected to be considerably smaller than in May last year and with quality rather poor. It is probable that marketings of new crop lambs, because of their slow development in many areas, may tend to be bunched during the latter part of June and early July.

BUTTER

Butter prices declined seasonally from March to early May and, although some further decline is likely, it seems probable that prices during the summer (May to August) will average higher than a year earlier and the highest for any summer since 1930. Production of butter has been decidedly larger than in 1935, but it is not to be expected that this marked increase compared with 1935 will be maintained during the pasture season. If pastures during the coming summer are average or better, it seems probable that production during the coming summer may not be greatly different than the high production in the summer of 1935. Even with relatively large production, the improvement in pay rolls, the prospects for a good storage demand, and the fact that butter prices have been unusually low in relation to the general level of prices indicate the probability of higher prices during the coming summer than a year ago.

From April 22 to May 8 the Agricultural Adjustment Administration purchased about 1,300,000 pounds of butter on the New York and Chicago Exchanges for relief purposes.

The price of 92-score butter at New York in April averaged 31.0 cents. This was 1.2 cents less than in March, but 3.5 cents less than in April 1935. The decline in prices from March to April was about the same as the usual seasonal decline. The lower prices in April 1936 compared with a year earlier were due in large part to the larger volume of production.

The farm price of butterfat in mid-April of 31.2 cents was equivalent to the farm price of 32.8 pounds of feed grains, compared with 21.3 pounds a year earlier and the 15-year (1920-1934) April average of 29.4 pounds. Farm prices of butterfat are relatively high compared with feeds, but relatively low compared with cattle and hog prices. With more normal supplies of feed on farms than a year ago and prospects for higher prices of butterfat than a year earlier, it seems probable that supplementary feeding during the pasture season will be greater than in 1935.

Estimated production of creamery butter in March of 121,000,000 pounds was 9 percent greater than the low production a year earlier but about the same as the 1931-35 March average. The 12 percent increase in production from February to March was about the same as the usual seasonal increase. It is not to be expected that the marked increase in production in March, compared with the preceding year, will be maintained during the coming summer.

In the early part of 1935, production was low because of the short feed supplies resulting from the 1934 drought. When cows were turned on pasture there was an unusually sharp increase in production and a marked decline in prices. For 1936 the prospects are for a much more nearly normal increase in production when cows are turned on pasture.

Trade output of creamery butter in March of 124,600,000 pounds was 4.8 percent larger than the low trade output in March 1935, but 9 percent less than the 1931-35 March average. Retail prices of butter in March were 5 percent higher than a year earlier. These changes indicate that consumer expenditures for butter were about 10 percent greater than in the corresponding month of the preceding year.

The margin between domestic prices and the price of New Zealand butter in London in early May was decidedly less than the tariff. During the next 6 months, at least, imports will probably be small.

Storage stocks of creamery butter on May 1 were 5,000,000 pounds compared with 5,700,000 pounds a year earlier and the 5-year average of 10,900,000 pounds.

CHEESE

Cheese prices declined seasonally from March to early May. Production and stocks are large. During the coming summer (May to August), cheese prices may average about the same as a year ago, but they probably will be lower in relation to butter prices than in the summer of 1935.

The price of cheese (twin) on the Wisconsin Cheese Exchange in April averaged 13.0 cents, down 0.9 cents from the preceding month and 1.7 cents from the same month of 1935. The decline in prices from March to April was about the same as the usual seasonal decline. Cheese prices are at about the pre-war level.

Production of cheese in March of 45,300,000 pounds was 21.8 percent greater than a year earlier and a new high for the month. Production in March, however, was only 3 percent larger than in January. Production in March usually averages about 25 percent greater than in January. In contrast with the small increase in cheese production, butter production has shown about the usual seasonal changes. The low price of cheese in relation to butter since the first of the year has resulted in a relative decline in the production of cheese compared with butter.

Trade output of cheese in March of 56,600,000 pounds was 16 percent higher than a year earlier and a new high for the month, being 15 percent larger than the 1930-35 March average. Retail prices of cheese in March were 3 percent higher than in March 1935. These changes indicate an increase of about 20 percent in consumer expenditures for cheese. With an increasing supply of meats, following the curtailment brought about by the drought, it is unlikely that the rapid rate of increase in cheese consumption which took place in the last year will continue.

Total imports of cheese in March were 5,700,000 pounds, compared with 4,200,000 pounds in March 1936. Imports of Cheddar cheese from Canada were 1,526,000 pounds compared with 103,000 pounds a year earlier. Thus practically all of the increase in total imports was due to the increase from Canada.

Storage stocks of cheese continue unusually large. Stocks on May 1 were 56,000,000 pounds compared with 46,600,000 pounds a year earlier and the 5-year May 1 average of 44,000,000 pounds.

POULTRY AND EGGS

Market prices of eggs rose steadily in April, but they are still below those of a year earlier and averaged less than in March. Until late summer this difference in price from 1935 is likely to continue. Receipts in April were about average, but greater than in April 1935. Storage stocks, however, are not accumulating as much as last spring so that consumption has evidently increased.

The farm price of chickens advanced from March 15 to April 15, regaining the unseasonal decline of a month before. Chicken prices will probably remain above those of a year earlier until mid-summer, when increased receipts are expected to offset the influence of low storage stocks.

The market price of eggs (mid-western special packed) at New York averaged 22.8 cents per dozen in April, 7/10 of a cent less than in March, and 3.8 cents less than in April 1935. Prices in the first week of April averaged 21.6 cents and in the last week 23.8 cents. The farm price rose 1.3 cents in the month ended April 15 to 16.8 cents a dozen. The farm price of chickens in mid-April was 16.9 a pound; .3 of a cent higher than in mid-March and 1.4 cents higher than a year earlier.

Receipts of eggs at the four markets in April were 1,922,000 cases compared with 1,779,000 cases a year before and a 5-year April average of 2,040,000 cases. Of the last 15 Aprils, only those in 1935 and 1932 had lower receipts. Until mid-summer, receipts of eggs are likely to continue to exceed those for the same period of 1935, but will still be less than the 5-year average.

Receipts of dressed poultry at four markets in April were 14,500,000 pounds compared with 13,500,000 pounds in April 1935 and a 5-year April average of 15,300,000 pounds. By this time of the year poultry receipts have begun to increase seasonally. With an estimated increase in commercial hatchings of over a fourth, since a year ago, poultry receipts will probably remain above those of 1935 throughout the rest of the year.

Since storage stocks of poultry (an important source of supply until summer) are low the effect of heavier receipts on prices will be offset to some extent. Storage stocks of frozen poultry on May 1 were 49,316,000 pounds compared with 61,800,000 pounds a year earlier and a 5-year average of 51,800,000 pounds.

Storage stocks of eggs continue to accumulate more slowly than a year ago, being 3,031,000 cases on May 1 compared with 3,901,000 cases a year earlier and a 5-year average of 4,308,000 cases. This is largely due to a poor demand for eggs for storage and to heavier consumption. If this tendency to store less continues to August 1, when the into-storage movement is over, fall egg prices are likely to exceed those of the fall of 1935.

WOOL

Domestic wool prices declined rather sharply in April and trading continued very limited on the Boston market. The carry-over of old clip domestic wool is unusually small but wool from the new clip is now arriving in Boston and receipts will increase rapidly in June and July. Although the supply of wool available in the United States in 1936 will be materially smaller than in 1935, changes in domestic wool prices in the next few months will depend to a considerable extent upon the demand from domestic manufacturers and changes in foreign prices for wool. Domestic mill activity is well below the unusually high level reached in the last half of 1935, but consumption was still above average in March, the latest month for which statistics are available. It now appears probable that domestic mill activity in the remainder of 1936 will be smaller than the high level of activity in the same months last year.

Some weakness has developed recently in foreign wool prices. Prices of most wool at the opening of the third 1936 series of London sales on May 5 were lower than at the close of the previous series on March 24. The decline in prices of merino wools amounted to about 5 percent, while prices of fine and medium crossbred wools were mostly 5 to 7.5 percent below the March quotations. Withdrawals of wool from the sale were heavy during the first week of the series.

Quotations for fine (64s, 70s, 80s) strictly combing territory wool at Boston averaged 87 cents a pound, scoured basis, in the week ended May 2 compared with 94 cents a month earlier and 64 cents a year earlier. Territory 56s averaged 76 cents a pound in the week ended May 2 compared with 81.5 cents the first week in April and 52.5 cents in the corresponding week in 1935. The United States average farm price of wool on April 15 was 26.2 cents a pound compared with 26.5 cents on March 15 and 16.2 cents on April 15, 1935.

Stocks of apparel class wool held by dealers and manufacturers in the United States on March 28 were about 104,000,000 pounds, scoured basis, a reduction of 23 percent compared with the same date in 1935. Of the total stocks held on March 28 of this year only 57 percent was domestic wool, while in March 1935 domestic wool was 86 percent of the total. Dealers held only about 41,000,000 pounds or 40 percent of the total stocks of apparel class wool reported on March 28, while manufacturers and top-makers held 62,000,000 pounds. Dealers' stocks on March 28 were only half as large as a year earlier. Manufacturers' stocks were about 20 percent larger than in March 1935, but the increase was due entirely to larger stocks of foreign wools. The total stocks of apparel class wool on March 28 of this year represented about 145,000,000 pounds of shorn wool, greasy shorn basis, and 42,000,000 pounds of pulled wool, greasy pulled basis. If the total domestic wool production should be about the same in 1936 as in 1935, as now seems likely, the total supply of wool available from current domestic production and present stocks for the year beginning April 1, 1936 will be about 22 percent smaller than a year earlier.

United States imports for consumption of apparel class wool in the first quarter of 1936 were about 30,000,000 pounds compared with 5,307,000 pounds in the same period of 1935. The imports for the first quarter of 1936 were larger than in the same period of any year since 1929. Orders to be filled in foreign markets for United States buyers began to decline in March as the domestic demand for wool apparently weakened, and imports will probably show a considerable decline in the next few months as is usual for that time of year. Imports of carpet wool were about 37,000,000 pounds in the first quarter of this year compared with about 29,000,000 pounds in the same months of 1935.

The weekly average consumption of apparel class wool by United States mills in the 4 weeks ended March 28 was 5,092,000 pounds, scoured basis, compared with an average of 6,122,000 pounds in February and 4,633,000 pounds in March 1935. At the peak of activity in October 1935 consumption averaged 7,395,000 pounds a week. Although the rate of consumption in March, after seasonal adjustment, was about 24 percent below the October peak, it was the highest March average since 1929 and was 20 percent higher than the average

for March in the 10 years 1926-1935. Since the normal trend of wool consumption is downward from March through July, a further decline in consumption is likely to occur during the next few months. The use of substitutes and reworked wool in the wool manufacturing industry is reported to be on the increase. Such a tendency would restrict to some extent the consumption of raw wool.

There was a slight decline in machinery activity in the wool industry of the United Kingdom during the first quarter of 1936. In view of the very high consumption in that country in 1935, the recent high level of activity may not be maintained throughout 1936. New orders for the wool industry of western Europe were somewhat curtailed in the second half of March as a result of uncertainty in the international political situation, but mills continued active on old orders.

Since the bulk of wool supplies in the Southern Hemisphere was marketed early in the current season, a smaller quantity remains to be sold in those countries in the last few months of the season than was the case a year ago. Available supplies still remaining for disposal in Southern Hemisphere countries on April 1 were about 305,000,000 pounds smaller than a year ago, a reduction of about 31 percent, and were 18 percent smaller than the preceding 5-year average.

COTTON

The moderate tendency of cotton prices to rise during March continued to be evident until the last of April, when prices sagged somewhat. Mill activity in the United States was higher than a year ago, but tended downward throughout most of the month. Foreign mills continue to run at a high rate and to take more American cotton than a year ago in spite of the fact that foreign cotton during April was cheaper relative to American than in any month since last September. World consumption of all growths of cotton is still running at a record-breaking annual rate, with a considerable reduction indicated in the world carry-over of American on August 1 next.

The price of Middling spot cotton at the 10 markets has been relatively steady during the past 6 weeks. Prices showed a slight tendency to rise until about the end of the third week in April. At the end of the month a moderate weakness showed itself, that has been in part carried over into May. The average price for the month of April was 11.57 cents, the high being 11.70 on April 21 and the low of 11.36 on April 29 and 30. The average price was 11.57 cents compared with 11.38 in March and 11.80 in April a year ago.

The Producers' Pool disposed of approximately 45,000 bales of spot cotton during April, bringing its spot stock down to about 204,000 bales at the end of the month. It is reported that trade estimates place the quantity of loan cotton sold up to May 9 at between 600,000 and 800,000 bales. Requests for release of 592,000 bales were actually made to the Commodity Credit Corporation, but clearances of certificates are believed to be delayed at least several days as compared with sales in the country. Estimates are to the effect that the entire 1,000,000 bales, which is the maximum quantity which can be disposed of under the plan as it stands, will be sold by the end of May.

There has been some indication during the last 2 or 3 weeks that the tendency shown in recent months for the price of foreign cotton to decline relative to American has been checked. However, the ratio of the prices of three types of Indian to two types of American of 77.4 in April compares with an average of about 80 for the 10 years ended 1931-32 and an average of 82.5 for the 6 months October to March of the present season. Indian cotton relative to American was slightly cheaper during April of this year than during April 1935, while during the preceding 8 months of the present season the ratio of the price of Indian to the price of American ranged from between 4 and 5 to nearly 20 points higher than in the corresponding months last year.

So far this season, American cotton has been helped to compete with foreign growths by the absence of artificial support of prices for the 1935-36 crop in the United States and by the release of some of the Government-financed cotton. However, the large supplies of foreign cotton which have been moving through trade channels, the high level of mill activity in the United States, the continued large amount of Government-controlled cotton, and, lately, the drought conditions in Texas and Oklahoma, with their effect on new crop prospects, have caused the price of American to strengthen relative to foreign even though the relationships up until April have been more favorable to the consumption of American than in the corresponding months last year.

World consumption of all growths of cotton has continued to run at a record high annual rate of nearly 27,000,000 bales. Taking the figures of the New York Cotton Exchange Service, world consumption in the present season up to the end of March totaled approximately 18,074,000 bales, an increase of between 5 and 6 percent over the 17,167,000 bales consumed in the same period last year. Consumption of foreign cotton has shown a slight increase compared with last year, but most of the increase of 907,000 bales in total consumption over last year has been accounted for by an increase of about 760,000 bales or 10 percent in the consumption of American cotton. During this season to the end of March, American constituted about 46 percent of all the cotton consumed in the world, compared with 44 percent in the same period last season. However, during the 10 years ended 1932-33, American cotton averaged 56 percent of total world consumption of all cotton.

As was pointed out in the release of last month, a continuation of the present rate of world consumption indicates that world carry-over of American on August 1, 1936 will be roughly 7,300,000 bales, a decrease of over 1,700,000 bales compared with the carry-over at the beginning of the present season. This, however, is an increase of more than 1,250,000 bales over the average world carry-over of American during the 10 years, 1923-24 to 1932-33. Comparing the present rate of consumption and the estimated production of foreign cotton during the present season, there seems to be a likelihood that the carry-over of foreign cotton will be increased somewhat. This being the case, the indicated reduction in total world carry-over of all growths from 13,624,000 last year to an anticipated 12,500,000 at the end of the present season will mean a somewhat smaller net reduction in total world carry-over than is expected to take place in American alone. If total world carry-over of all cotton is reduced to approximately 12,500,000 bales, it will represent a reduction of 8 percent from the carry-over on August 1,1935 but it will still be 23 percent above the average carry-over of 10,155,000 bales during the 10-year period, 1923-24 to 1932-33.

Domestic mill activity, while above a year ago, tended slightly downward during April as a result of a falling of sales below production and a decline for the industry as a whole in the mill position on stocks and orders, according to trade reports. In the third week of April the mill position was improved by increased sales and bookings, but the increase in sales and orders was largely induced by price concessions at the expense of manufacturing margins and was limited to certain sections of the trade. It is reported that during the last 2 weeks sales and orders have again declined. Both wholesale and retail trade are generally thought to be holding up well, but the discounts on new crop deliveries of cotton are believed by the trade to be responsible for the unwillingness of buyers to make forward commitments. Cotton consumption amounted to 577,000 bales in April compared with 549,000 last month and 468,000 bales in April a year ago.

In foreign countries, mill activity has continued to run at a relatively high level, with forwardings of American cotton considerably above a year ago. It is reported that in Great Britain mill activity is being maintained largely on the basis of old orders, as yarn and cloth sales have been below current production for several weeks. In Germany, Italy, and Spain the raw cotton situation is still dominated largely by import restrictions and barter arrangements.

Exports of American cotton were 353,000 bales in April, an increase of 9 percent over the same month last year. Exports for the first 9 months of the present season were 5,167,000 bales, an increase of 33 percent over the same period last year. The improved level of exports so far this year compared with last probably can be attributed not only to reduced stocks of American cotton abroad, a higher level of industrial activity and demand for cotton, and lower prices for American cotton relative to foreign, but also to the increased value of imports into the United States with a resultant increased ability on the part of foreign consumers to buy American cotton.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 2/ 1910-1914 = 100	Commodity prices: United States: Wholesale 2/ 1926 = 100	Commodity prices: Foreign 4/ In foreign currency 1926 = 100	Interest rates in per cent 5/	Industrial stock prices in dollars 6/
	1923 - 1925 = 100								
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	106	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	97	4.01	176
1928	111	102	99	149	141	97	97	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	83	3.56	236
1931	81	68	77	87	107	73	73	2.58	139
1932	64	46	64	65	95	65	69	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935 -									
Mar.	88	71	82	108	116	79	71	.88	100
Apr.	86	71	82	111	117	80	71	.81	106
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	70	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	75	85	109	118	80	73	.75	135
Nov.	98	74	85	108	118	81	74	.75	144
Dec.	104	77	85	110	118	81	74	.75	142
1936 -									
Jan.	98	72	83	109	118	81	74	.75	146
Feb.	94	72	83	109	118	81	74	.75	152
Mar.	94	76	84	104	116	80	74	.75	156
Apr.				105	116	80		.75	156

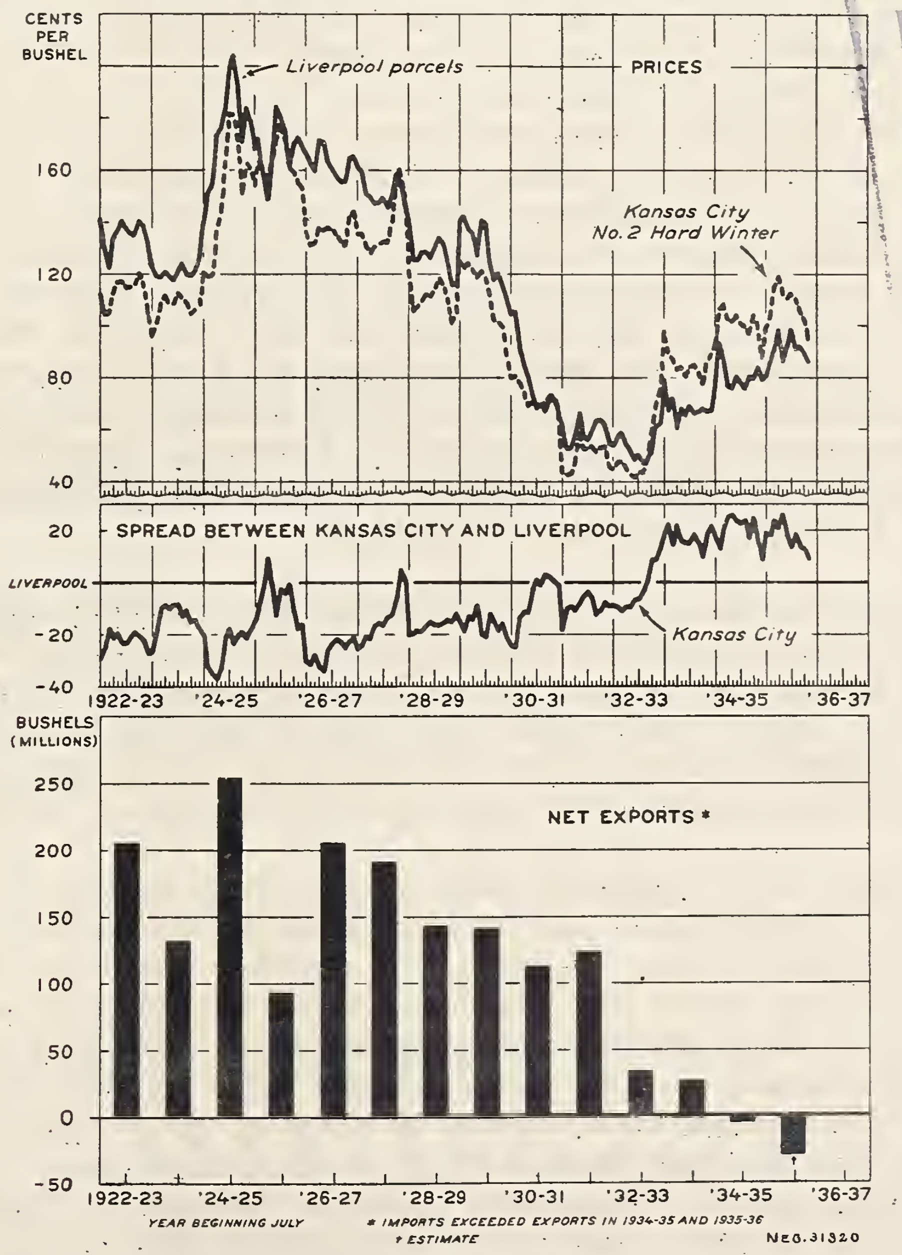
1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Harvard Economic Service, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

The PRICE SITUATION

JUNE 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON

WHEAT: AVERAGE PRICE AT KANSAS CITY AND LIVERPOOL, AND NET EXPORTS FROM UNITED STATES, 1922 TO DATE



SINCE THE BEGINNING OF 1933 WHEAT PRICES IN THE UNITED STATES HAVE BEEN MATERIALLY ABOVE WORLD PRICES. THIS HAS BEEN LARGELY THE RESULT OF THREE SUCCESSIVE YEARS OF LOW PRODUCTION, MAKING SOME IMPORTS NECESSARY DURING THE LAST TWO SEASONS. THE REMOVAL OF SURPLUS WHEAT FROM THE PACIFIC NORTHWEST THROUGH GOVERNMENTAL AID IS AN ADDITIONAL FACTOR TENDING TO INCREASE UNITED STATES PRICES RELATIVE TO WORLD PRICES. THE GENERAL TREND IN WHEAT EXPORTS IN RECENT YEARS HAS BEEN DOWNWARD, DUE LARGELY TO DRASTIC RESTRICTIONS ON IMPORTS AND INCREASED PRODUCTION IN MAJOR IMPORTING COUNTRIES.

FARM PRICES

The general level of farm prices, which in May was at the lowest point since July 1935, appears to have advanced a little during the past month. Sharply higher prices for potatoes and hogs and slightly advanced prices for butter, eggs, cotton, and truck crops appear to have more than offset the declines in prices of cattle, oats and corn.

Pronounced declines in the receipts of hogs during the latter half of May and early June, when marketings are usually increasing, were accompanied by sharp advances in hog prices. Since the seasonal reduction in slaughter supplies during the next few months will be much less than that which occurred last year, it is doubtful if the summer rise in hog prices will be as pronounced as it was in the summer of 1935, when the farm price of hogs advanced from $7.88 per 100 pounds in April to $10.29 in September. Cattle and calf slaughter continued heavy in May and early June and was accompanied by a decline in prices. Slaughter supplies of cattle and calves probably will continue relatively large during the remainder of the summer, and prices of lower grades of slaughter cattle are expected to follow the usual downward trend in the last half of the year. Prices of better grade steers usually advance in the last half of the year and, with some decrease of supplies in prospect, the usual seasonal rise will probably occur after July. Lamb prices have reached the highest levels since 1930, largely in response to the relatively small supply. However, slaughter supplies of lambs are expected to increase rapidly in the next few months and prices probably will decline as receipts increase.

Butter prices in the central markets have tended upward since the low point was reached in May. Prices are now above those of the same time last year and during the summer months are expected to continue considerably higher than they were a year ago. Egg prices have advanced slightly since mid-May and, although still below the level of a year ago, will probably rise to levels above those of a year ago by the end of the summer.

Abnormally light rainfall over large areas during May was unfavorable for the growth of many crops and was accompanied by wide fluctuations in the prices of some commodities. Unfavorable weather for both planting and growth of early potatoes in South and North Carolina resulted in marked reduction in production in those States, and potato prices advanced sharply in late May and the first week of June but declined some in the second week. Potato production in the intermediate group of States, where movement to market is just beginning, is also substantially below last year, but, owing to seasonal factors, potato prices are expected to decline irregularly from their recent high levels. The light rainfall in May in the spring wheat area has left the crop in a critical condition and crop prospects are unusually dependent upon plentiful rainfall for the remainder of the season. The condition of other small grains is considerably below average.

Marketings of strawberries and other truck crops for fresh market shipment have been reduced by dry weather, particularly in the Middle Atlantic and South Atlantic States. The dry weather also has delayed the cotton crop and resulted in very poor stands in the South Atlantic States and in Tennessee, but conditions in most of the remainder of the Cotton Belt are fair to good.

The index of prices received by farmers in mid-May was 103 percent of the pre-war average compared with 105 in April and 108 in May 1935. Prices paid by farmers in May probably were about the same as in April, or 121 percent of the pre-war average, compared with 127 a year earlier. As a result of the decline in farm prices, the ratio of prices received to prices paid declined from 87 in April to 85 in May, the same as in 1935.

WHOLESALE PRICES

The general level of wholesale prices at 114 percent of the pre-war average in mid-May reached the low point for the current year and the lowest level since December 1934. The steady decline since January, amounting to over 3 percent, was caused chiefly by decreases in prices of farm products and foods. Prices of hides and leather, textile products, and chemicals also declined a little since the first of the year. Prices in late May and early June have recovered a part of their loss, with prices of the farm products group gaining nearly 3 percent in as many weeks. Some of this gain may be temporary, as the recent higher prices have largely resulted from the effects of the drought in the early spring vegetable area, where the marketing season is limited to a few weeks in May and June. Prices of farm products and foods in early June were considerably lower than a year ago, whereas the combined index number of commodity groups other than farm products and foods was slightly higher.

Wholesale prices in the major foreign countries have remained firm or declined only slightly in recent weeks. Prices in England have shown but little variation since January, slight declines in cereal grains and meats offsetting slight gains in prices of metals and wool. Prices in Germany were practically unchanged from April, the high point since December 1931. Stability of wholesale prices in Germany is maintained by minute price regulations which affect virtually all stages of production and distribution. Prices in France are only slightly below the March average, when they reached the highest level in nearly 2 years. In the Scandinavian countries, particularly Sweden and Denmark, price variations have been negligible during the last 6 months.

Prices in Canada have declined slightly since the first of the year, the principal decreases occurring in prices of vegetable and animal products. Prices in Japan, which had been declining for several months, strengthened somewhat in April, and cable reports in early June indicated sharp price advances in the raw silk market, due in part to a shortage of desirable spot silk in the closing stages of the crop year. Prices in China also advanced in April, continuing the rise which began in November when that country abandoned the silver standard.

The combined index of wholesale prices in the currencies of seven foreign countries which are important markets for American farm products has gradually increased a total of 5 percent from the low point of July 1935.

BUSINESS CONDITIONS

Industrial activity continued to increase slightly in the past month if allowance is made for the seasonal declines which usually occur in many

industries. The upward trend in output was particularly noticeable in the industries producing durable goods and in cotton textiles, but was partly offset by curtailment in the production of shoes, hosiery, rayon, and woolen textiles. Railroad freight traffic continued to increase more than seasonally and electric power production, after seasonal adjustment, reached new high levels. Retail trade continued to increase from April to May instead of making the usual seasonal decline and is at a level somewhat higher than a year ago. While the nearness of the time for payment of the bonus has been an aid in stimulating retail sales, consumer incomes are also somewhat higher than a year ago. Incomes of industrial workers in April and May were at the highest levels during the recovery period.

Steel production, after declining slightly in the latter half of May, has increased again almost equal to the highest level for the year to date. The continued high level of activity is partly because of the extensive use of steel by miscellaneous industries, and partly because of the announcement of price advances for several steel products to be effective on third quarter deliveries. Automobile output has been declining since mid-May and will probably continue to decline until the output of new models gets under way in the fall months. The placing of orders for cars by railroads continued heavy during May, but orders for rails fell off sharply. In view of the anticipated decline in automobile output and some accumulation of steel this month in advance of the higher prices, there may be more than the usual seasonal decline in activity in the durable goods industries in July and August. However, the decline is expected to be moderate and temporary, and indications are that the longer time trend of output of durable goods is still upward.

In the nondurable goods industries, the output of cotton textiles has been well maintained and sales increased somewhat during May, but output in wool textiles and boot and shoe production have been declining more than seasonally since the unusually high level of activity was reached in the latter months of 1935, and activity in these industries is now somewhat below a year ago. However, the total output of nondurable goods during the summer months is expected to continue above the same time last year.

The peak of building contract awards is usually reached during the period March to June, and, because of the lag between the awarding of contracts and the time construction is completed, contract awards during the first 5 months of the year provide an indication of the level of building activity during the summer and fall months. Preliminary indications are that total contract awards during the first 5 months were about 80 percent above the same time last year. Residential contract awards during this period totaled about 65 percent above a year ago and all others were nearly twice as large as in the same months of 1935. Engineering contracts awarded during April and May increased sharply, particularly in private industries.

Retail sales have continued the improvement of the first 4 months, and in May the margin over the same time last year was even greater than in the first 4 months of the year. The Federal Reserve System's seasonally adjusted index of department store sales advanced from 81 percent of the 1923-25 average in April to 88 in May and compares with 76 in May last year. New passenger car sales in May tapered off a little from the high level

reached in April, but trade reports are that the sale of used cars was exceedingly large. Variety store sales, after adjustment for seasonal variation, were the highest since December 1930, and retail sales in rural areas continued at the highest level since 1929. Sales of electric refrigerators, furniture, and other durable household equipment are also showing marked improvement in comparison with previous years.

Business activity in most foreign countries has been well maintained, but in France industrial output and trade have been affected by extensive strikes and an increasing exit of gold. A recent statement of the Bank of France reported a reduction of 15.5 percent in its total gold reserves in the past 3 months. Reserves are now at the lowest level since January 1931. In Great Britain industrial activity, after seasonal adjustment, is almost back to the peak levels reached last December and employment in Great Britain reached a new record in April, according to The Economist. Industrial activity in the Scandinavian countries, Belgium, and some of the Danubian countries continued to improve, but in Holland and Switzerland industrial activity is at a very low level and only a slight improvement has occurred in Poland. In Japan, industrial output declined from October to February. The output of cotton continued to decline in March, but the production of rayon increased to a new record level. China's foreign trade continued the gradual expansion which has been under way since the devaluation of silver early in November.

WHEAT

If present wheat prospects suggesting a domestic production of about 680,000,000 bushels materialize, supplies of wheat for the 1936-37 season may be no larger than would be required to provide for the annual domestic consumption and to build up reserve stocks within the United States. This would result in prices for the coming season to again average above export levels. Assuming an average disappearance of 625,000,000 bushels and a carry-over on July 1, 1936 of 125,000,000 bushels, a carry-over on July 1, 1937 of 180,000,000 bushels is indicated compared with 152,000,000 bushels on July 1, 1935 and 286,000,000 bushels in 1934. Exceptionally favorable growing conditions for spring wheat would be necessary for the crop to be large enough to result in a surplus for export, sufficient to hold domestic prices at world levels.

The winter wheat crop in the United States, indicated by June 1 condition at about 482,000,000 bushels, is 18,000,000 bushels larger than the estimate as of May 1, largely as the result of above average precipitation in import wheat producing areas of Kansas and Nebraska. Slight improvement in prospects was also noted in Ohio and Indiana, where relatively dry weather had been favorable to the development of the crop. Throughout most of the territory east of the Mississippi River and south of the Ohio, drought conditions reduced prospective yields. The Pacific Northwest also suffered from deficient moisture and excessive temperatures during the month.

The condition of spring wheat on June 1, 1936 was reported at 66.9 percent of normal compared with 85.2 percent on June 1, 1935 and the 10-year (1923-32) average of 82.7 percent. Applying the yield per acre indicated by the relation of June 1 condition and yield in past years to the acreage of spring wheat as reported in the March intentions report suggests a 1936 production of all spring wheat in the neighborhood of 200,000,000 bushels.

Market prices of wheat declined generally from the last of April to the middle of May, influenced by rains in the winter wheat areas and the decline in world prices. The latter was largely caused by selling pressure of Canadian and Australian wheats, weak European demand, and some improvement in net European crop prospects. After the middle of May continued lack of moisture in parts of the Spring Wheat area was largely responsible for checking the decline. All grades and classes of wheat in the six important markets, after averaging 98.2 cents per bushel for the week ended April 25, declined to 87.4 cents the week ended May 16, then recovered to 90.6 cents the week ended June 6. The United States average farm price of wheat as of May 15 was 82.3 cents per bushel compared with 86.3 cents a month earlier and 87.8 cents a year earlier.

No 2 Hard Winter Wheat at Kansas City is currently about 7 cents over Liverpool Parcels, compared with about 18 cents for the season to date and 31 cents for the peak week in early September. When the United States was on an export basis prior to the spring of 1933 some exports took place when the price of No. 2 Hard Winter wheat was about 10 cents under Liverpool Parcels, but larger exports required a greater differential. For shipments to the United Kingdom, however, the British tariff, which was levied in the fall of 1932, would necessitate a 6-cent wider spread than formerly.

Present conditions in the Northern Hemisphere indicate an increase in wheat production in North America but a decrease in production in Europe, exclusive of Russia, and North Africa, compared with last year. Grain crop conditions in Russia are reported to be generally favorable. Production in China is estimated at about 10 percent above last year.

Private reports of the spring wheat acreage in Canada estimate that the acreage will be somewhat less than indicated by "intentions-to-plant", which indicated an increase of about 3 percent over last year. The official condition of spring wheat as of May 31 was 95 percent of the long-time average yield per acre. The crop in Europe was benefited somewhat by warmer weather and much needed rains, although moisture is excessive in some areas. Crop prospects in Germany, Poland, Czechoslovakia, Greece and Netherlands are better than average. In Italy, France and North Africa they are average or slightly below. Prospects in Spain and Portugal are definitely poor. In Portugal it is expected that the crop will not exceed half of last year's production. Spring sowings in the Soviet Union, reported to have amounted to 93 percent of this year's plan by May 15, indicate an acreage not materially different from that sown at the same time a year ago. Cold weather in mid-May seems to have resulted in no serious damage to the wheat crop.

General rains in Australia during the past week checked deterioration due to dry weather and assisted germination. Seeding of wheat is becoming general in the Northern and Central part. Weather conditions have been satisfactory, but cool clear weather is now wanted.

CORN AND OTHER FEED CROPS

While prices of corn at terminal markets have gradually declined from the high level reached the latter part of April, they have, however, retained a part of the March-April advance. In the seasonal adjustment to the new crop basis, oats prices in late May fell to the low for the season, while barley prices during the past month have remained fairly steady. For the remainder of June and during July corn prices may be expected to continue at about present levels. Changes in the prices of oats and barley will be determined largely by crop developments.

Corn prices at 5 central western markets averaged 53.3 cents for the last week in March, 63.0 cents for the last week in April, and 58.3 cents for the first week in June. Oats prices have been declining since February; for the week ended February 22, No. 3 White Oats at Chicago averaged 30.9 cents and for the week ended May 30 the average had receded to 25.5 cents. No. 3 Barley at Minneapolis at 54.9 cents for the week ended May 30, was practically the same as a month earlier. The United States farm price of corn advanced about 3 cents from April 15 to May 15 but the price of barley declined $1\frac{1}{2}$ cents and oats prices remained about unchanged. The May 15 farm price of corn was 60.0 cents, barley 37.1 cents, and oats 25.1 cents per bushel. The hog-corn price ratio remained unusually favorable for feeding.

Receipts of feed grains at the principal markets declined in June but feeding demand also slackened with the availability of spring pasturage. Receipts of corn at 13 markets during May totaled 16,034,000 bushels and greatly exceeded shipments, which aggregated only 11,698,000 bushels. The May arrivals of oats at these markets, however, were only 5,886,000 bushels with shipments of 8,772,000 bushels. Receipts of barley at four markets were 5,565,000 bushels. With total receipts of feed grains exceeding shipments the rate of decrease in market stocks was retarded. Corn in store at important markets aggregated only 6,094,000 bushels on June 8, or only about two-thirds as large as a year earlier. Approximately 6,000,000 bushels of corn were processed into products for domestic consumption in May by the wet-process industry. Commercial stocks of oats continued to decrease during May and amounted to 31,726,000 bushels on June 8.

Reported arrivals from foreign countries suggest that corn imports in May will show a further decline and be less than the 1,052,000 bushels imported in April. Imports have been declining since December, when they amounted to over 2,000,000 bushels. If the 1936 feed crops in the United States are about average and the Argentine official price remains at about the same level, imports in 1936-37 are likely to be so reduced that they will not be the market factor in United States coastal markets they have been during the current season. In early June corn prices tended downward, and quotations on domestic and Argentine corn in San Francisco for the first time in a year and a half were practically the same.

The condition of barley on June 1 was reported to be 75.3 percent of normal compared with 84.3 percent a year ago and 82.6 percent the 10-year (1923-32) average. The condition of oats on June 1 was 74.5 percent compared with 84.4 for June 1935, and the 10-year average of 81.4. Corn in the Central and Southern Plains is reported to be making favorable progress but rains are needed in many places eastward from the Ohio Valley, while nights have been too cool for best results in North Central portions of the Belt. Corn in Iowa is fair to good and in Missouri is mostly satisfactory.

The June 1 condition of all tame hay at 75.7 compared with 78.5 percent on May 1, representing about the usual seasonal change between May 1 and June 1, indicates that there has been little if any recovery from the backward start. With sufficient rains this month, however, some recovery may yet be expected in areas in the North Central and Western States. June 1 alfalfa condition, all clover and timothy hay condition, and wild hay condition are about the same as a year ago. The condition of pastures on June 1, although not far below the condition on the same date in 1935, 1932, and 1925, was the second lowest on record, averaging 74.5 percent of normal compared with 77.7 percent last year, the record low of 53.2 percent in 1934 and an average of 81.3 percent during the years 1923 to 1932. Although recent showers have been helpful and have revived grass in some of the worst areas, more rain is needed to prevent deterioration of pastures in the eastern third of the country.

POTATOES

Prices of both old and new potatoes rose sharply during the last half of May and first week of June, but lost much of this advance during the second week of June. Normally, prices of new potatoes decline sharply during this period, but this year prices have advanced, due largely to the poor growing conditions prevailing in the second early and intermediate States this season and the shortage that developed in the supply of old stock during the late spring. At the present time the market supply of potatoes is very short, but this situation is expected to be alleviated as soon as shipments from the intermediate States begin to move in volume. The prospect is for a gradual decline in prices as the season progresses, with the rate being accelerated if the crop in the late Northern States matures early.

The production of early and intermediate potatoes probably will total 33,500,000 bushels this year compared with 38,100,000 bushels produced last year and 42,127,000 bushels the 1928-32 average. This estimate is based upon the reported yields for the early, second early and first section of intermediate States and average yields for the second section. Production in the second early States and the first section of intermediate States, from which potatoes are now moving in considerable volume, totals 12,771,000 bushels compared with 17,231,000 last year and 23,322,000 the 1928-32 average. The short crop indicated for these areas this year coupled with a short supply of old potatoes carried over from last season has contributed largely to the recent sharp price advance.

From January 1 up to the end of April this year, rail and boat shipments of old potatoes totaled about 75,000 cars, or only 3,000 cars below the volume moved during the corresponding period of 1934, when the January stocks of old potatoes were about the same as this year. From the end of April to the present time, however, shipments have fallen considerably below the volume moved in the same period in 1934, or to only 7,000 cars compared with 11,600.

On the other hand, shipments of new potatoes have held up to almost the same volume as in 1934. This is particularly true of these shipments in the later period. The rate of shipments of old stock is rapidly decreasing now, and it is probable that only a few hundred cars remain. However, after the middle of June shipments of old potatoes are seldom very large and the trade usually shifts to the early and intermediate States for its principal source of supply.

Prices of old potatoes in the New York l.c.l. market advanced from $2.38 per 100-pound sack during the first week of May to $3.77 the first week of June and prices of new stock rose from $3.73 to $4.47 during the same period. A year ago prices of old stock averaged 71 cents per 100-pound sack, while new stock averaged $1.54. At Chicago old stock rose from $1.61 to $2.98 per 100 pounds, car-lot basis, and new stock rose from $2.77 to $4.30 per 100 pounds during the last month. A year ago old stock at Chicago averaged $1.10, while new stock averaged $1.75. During the second week of June this season all markets indicated considerable weakness and prices were moving downward sharply.

Most of the shipping point markets in the northern late States have been closed and trade in old stock is decreasing in volume rapidly. F.o.b. prices for Green Mountains at Presque Isle, Maine, rose sharply from $2.00 per 100-pound sack during the first week in May to $4.10, the season's top price reached on June 5. By June 11 prices at this market had declined to $3.35, as sales decreased sharply at the higher prices. A year ago Green Mountains averaged 24 cents per 100-pound sack. F.o.b. prices of Round Whites at Rochester, N.Y., during the last of May averaged $2.50 per 100-pound sack, compared with $1.98 a month earlier and about 40 cents a year ago. At Waupaca, Wisconsin, they averaged $2.00 the last of May compared with $1.45 a month earlier.

At Mobile, Alabama, new potato prices rose from $2.25 per 100-pound sack to $3.30 during May, and at southern Louisiana points they advanced from $2.15 to $3.15 per 100-pound sack. In South Carolina the rise was from $4.50 to $5.50 per barrel from May 19 to May 29, the short period the market was reported. New potatoes were quoted at Washington, N. C. on June 10 at $5.00-5.25 per barrel.

The United States farm price of potatoes averaged 87.1 cents per bushel on May 15, compared with 81.1 cents on April 15, 44.6 cents on May 15, 1935 and 69.5 cents the May average 1910-14.

HOGS

Hog prices during late May and early June recovered nearly half of the sharp decline which occurred during the preceding four weeks. Curtailment of the seasonal expansion in marketings which occurred during the period of declining prices accounted for most of the recovery. Although a seasonal advance in prices probably will occur in the late summer it is unlikely that the rise will be as great as that which took place last summer, since the indications are that the seasonal reduction in slaughter supplies during the next three months will be much less than that which occurred a year earlier.

The weekly average price of hogs at Chicago rose from $9.26 per 100 pounds the week ended May 16 to $9.82 the first week in June, after having declined from a spring peak of $10.61 reached in mid-April. The May average price at that market of $9.58 was about 90 cents lower than the average for April but was 27 cents higher than the average for May last year.

Hog slaughter under Federal inspection during May, totaling 2,579,000 head, was only 20,000 head larger than that in April but was 19 percent larger than the very small slaughter of May last year. In most years slaughter in May is much larger than that of April because of increased marketings of hogs from the pig crop farrowed in the previous fall. Because of the very favorable relationship between hog prices and corn prices there apparently has been a tendency on the part of many hog producers to hold fall pigs for heavier weights and this will result in increasing the proportion of the crop that will be marketed in the summer. Average weights of hogs in May were slightly heavier than those in April but the increase in weight was not so great as that which occurred a year earlier. The average for the month at the seven principal markets was 242 pounds compared with 241 pounds in April and 235 pounds in May last year.

The hog-corn price ratio, based on Chicago prices, improved somewhat in late May and early June following a decline from 17.7 in early April to 14.7 in mid-May. The ratio during the first week of June was 16.0, and for the month of May it was 15.2. In May last year it was 10.6.

Wholesale prices of fresh pork rose sharply in late May, following an equally sharp decline in late April and early May. The rise carried the prices of some cuts to the highest levels of the year. Temporary reduction in supplies and cool weather stimulating the demand for pork apparently were the principal factors causing the advance. In early June prices showed a tendency to recede from the peak levels of late May. Prices of cured pork in late May manifested the first indication to date of starting the seasonal rise which usually occurs after the winter marketing season. The winter downward movement, therefore, has extended over a longer period than usual and probably reflects the slow adjustment of prices from the high levels of 1935, caused by supply shortage, to a prospective increase in supplies in the second half of 1936. The composite wholesale price of hog products at New York in May was $20.57 per 100 pounds, compared with $20.99 in April and $21.26 in May last year. The index of retail prices in that city on May 30 was 86.9 compared with 88.6 on April 30 and 89.1 on May 31, 1935, (1924-1928 = 100)

Storage holdings of pork decreased 17,000,000 pounds and those of lard increased 16,000,000 pounds during May. These amounts were about equal to the 5-year average changes for the month, but in relation to the amounts in storage at the beginning of the month they were greater than average. Compared with the reduction which occurred in May last year, which was much larger than average, the decrease in pork stocks was only about one-fourth as great. Stocks of pork on June 1, totaling 441,000,000 pounds, were nearly 4 percent less than those reported May 1, and were 13 percent smaller than a year earlier and 36 percent below the 5-year average for that date. Lard holdings, totaling 100,000,000 pounds, were about 20 percent larger than those of a month earlier and 11 percent larger than a year earlier but were 19 percent smaller than the 5-year average for June 1.

The increase of 31 percent in the estimated fall pig crop of 1935, together with the fact that hog slaughter in late May and early June did not show the usual seasonal increase over the slaughter in March and April, indicates that slaughter supplies this summer will be much larger than the very small supplies marketed last summer. The seasonal reduction in slaughter during the next three months, therefore, is expected to be much less than average.

CATTLE

Slaughter supplies of cattle probably will continue relatively large during the remainder of the summer, and the proportion of steers included in such supplies is likely to continue larger than last year. The supply of well finished cattle, however, may decline somewhat from prevent levels by late summer. The usual seasonal trend in prices of the lower grades of slaughter cattle is downward in the last half of the year and unless demand conditions improve considerably in the next few months, prices of such cattle are likely to follow their normal seasonal course in the remainder of 1936. Prices of the better grades of slaughter cattle, on the other hand, usually advance in the last half of the year and with some decrease in supplies of well finished cattle in prospect, some rise in the prices of such cattle probably will occur after July.

The decline in the prices of the better grades of slaughter cattle which began in mid-January continued through May. Prices of the lower grades of slaughter cattle did not change greatly during May, although they were slightly lower than in January. Prices of cows, heifers and veal calves were fairly steady in May. From the third week in January to the last week in May prices of the choice and prime grade slaughter steers at Chicago declined from $13.27 to $8.69. In the same period the price of medium grade steers at Chicago declined only about 50 cents, from $8.06 to $7.55. The average price of all grades of beef steers at Chicago in May was $7.92 compared with $8.42 in April, $9.30 in January and $11.13 in May of 1935. In marked contrast to the trend in prices of the better grades of slaughter cattle prices of stocker and feeder steers have not declined during the last 5 months. In May the average price of all weights of stocker and feeder cattle at Chicago was $7.35 compared with $7.31 in January and $8.34 in the corresponding month a year earlier. The United States average farm price of beef cattle on May 15 was $6.00 compared with $6.27 on April 15 and $6.80 on May 15, 1935.

As in the early months of 1936, slaughter supplies of cattle in May were materially larger than those of a year earlier. Receipts of cattle at the seven leading markets in May were nearly 15 percent greater than in the same month last year, but they were slightly smaller than the 5-year May average. Inspected slaughter of cattle in May, amounting to 785,000 head, was 7 percent larger than in May last year and was the fourth largest for the month on record. Calf slaughter under Federal inspection in May, totaling 503,000 head, was slightly smaller than in May last year, but was the third largest for the month on record. Supplies of beef steers for slaughter at Chicago in May were somewhat larger than in May last year. The number of choice and prime grade steers in the Chicago supply was nearly twice as large as in May 1935, and there was also some increase in the number of medium grade steers, but the number of good grade steers was smaller than a year earlier.

Most of the increase in slaughter supplies of cattle thus far in 1936 has been in steers. In the first 4 months of the current year slaughter

of steers under Federal inspection was about 23 percent greater than in the same period last year. Steer slaughter in April was the largest for any April during the 15 years of record since 1921. Inspected slaughter of cows and heifers in the January-April period this year was only 6 percent larger than a year earlier. The large increase in the supply of steers probably accounts for the sharp decline in the price of the better grades of slaughter cattle since January.

Imports of cattle increased sharply in April and imports in March also were somewhat larger than in 1935. The increase in imports this year came entirely from Canada, imports from Mexico being somewhat smaller than in 1935. The increase in imports in terms of total live weight in the period January-April 1936 compared with a year earlier was equal to only about 9 percent of the aggregate increase in the live weight of inspected cattle slaughter in the same months. It should be noted, however, that only a part of the cattle imported were suitable for immediate slaughter. It is apparent, therefore, that most of the increase in total cattle marketings has been the result of larger domestic supplies. It is noteworthy that most of the cattle imported into the United States in recent months were of the lower grades. Since the decline in prices thus far this year has occurred largely in the price of the better grades of slaughter cattle, it appears that the increase in imports has not been an important factor in causing the recent price decline.

LAMBS

Slaughter supplies of lambs probably will increase rapidly in the next few months as new crop lambs from both the Native and Western lamb producing States began to move in large volume. The market movement of lambs from the Native States and from the Northwestern States has been delayed somewhat because of unfavorable weather and feed conditions. As a result of this delayed movement, the increase in marketings after June may be somewhat larger than usual. Prices of new crop lambs normally decline from June to August. Thus far in the new crop season lamb marketings have been relatively small and lamb prices have been well maintained, but with a larger than usual seasonal increase in marketings in prospect, lamb prices probably will decline materially in the next 2 months.

Prices of both spring lambs and old crop lambs tended to advance in May as market supplies continued relatively small. In late May the top price of spring lambs at Chicago reached $13.00, the highest May top price at that market since 1930. The average price of good and choice spring lambs at Chicago in May was $11.83 compared with $8.69 in the corresponding month last year. The higher prices in May this year compared with a year earlier reflect both the smaller slaughter supply of lambs and the improvement in the consumer demand for meats. The United States average farm price of lamb on May 15 was $8.59 compared with $8.46 a month earlier and $6.59 a year earlier.

Receipts of sheep and lambs at the seven leading markets in May were 18 percent smaller than in April and were about 23 percent smaller than in

May 1935. Inspected slaughter of sheep and lambs in May, totaling 1,213,000 head, was slightly smaller than in April, but it was 23 percent smaller than in May a year earlier and was the smallest for the month since 1929. The proportion of sheep included in the total inspected slaughter of sheep and lambs has been considerably larger this year than last year. In the period from January to April 1936 about 8.4 percent of the sheep and lambs slaughtered were sheep, while in the same period in 1935 this percentage was 4.2 and the average percentage for the January-April period in the 5 years 1931-35 also was 4.2.

The market movement of California and Arizona lambs has been about completed and marketings of old crop lambs have decreased sharply in the last month. In the next few months supplies at Eastern and Middle Western markets will consist largely of new crop lambs from the Native States and from the Northwest. As already indicated, the delay in the market movement from these areas may result in large market supplies in late June and in July. Because of unfavorable weather and feed conditions in many areas it is probable that lambs marketed during the remainder of the summer will be of less desirable quality and finish than was the case last year.

BUTTER

Butter prices declined during the first 3 weeks of May, but rose during the last week of May and the first week of June. It seems probable that prices have about reached the seasonal low point for the year, and during the summer will average considerably higher than in 1935. Foreign prices are higher than a year ago and the margin between domestic and foreign prices is relatively narrow. Butter production in April was only slightly larger than a year earlier, and production during the pasture season may not be greatly different than in 1935. The into-storage movement of butter in May was light and cold storage stocks on June 1 were relatively small.

During the first 24 days of May the Agricultural Adjustment Administration purchased about 560,000 pounds of butter for relief on the New York and Chicago Exchanges. No purchases have been reported since May 24.

The price of 92-score butter at New York in May averaged 27.5 cents per pound. This was 3.5 cents less than in April, but slightly higher than in May 1935. During the third week in May prices reached a low of 26.9 cents, but rose during the latter part of the month and averaged 28.2 cents during the first week of June. The seasonal low point in prices usually comes in June, but in most years there is little change in prices from May to August. Prices probably reached the seasonal low point for this year in May.

In mid-May the farm price of butterfat of 27.1 cents was equivalent to the farm price of 27.7 pounds of feed grains compared to only 18.0 pounds a year earlier. Although butterfat prices are decidedly higher in relation to feed grains than in 1935, the relationship in May was about the same as the 15-year May average (1920-1934). The present butterfat-feed price

relationship, together with the prospects for higher butterfat prices than those of the summer of 1935, indicates a fairly satisfactory summer for dairymen, if pastures are sufficiently good not to necessitate unusually large amounts of supplementary feeds. Butterfat prices, however, are relatively low in relation to cattle and hogs.

Production of creamery butter in April exceeded April 1935 by 1 percent The increase in production of 9 percent from March to April was slightly less than the usual seasonal increase. In 1935 the increase in production from late winter to the early part of the pasture season was unusually heavy as cows were turned on pasture after being on short rations during the winter. In 1936 the changes in production have been much more nearly normal. Production during the coming summer may be about the same as in 1935.

Trade output of butter in April of 133,000,000 pounds was 4.5 percent less than a year earlier. In April 1935 trade output was high in relation to production because of the large volume of imports. Retail prices of butter in April were 2.0 cents or 5 percent less than a year earlier. While these changes indicate a considerable reduction in consumer expenditures for butter in April this year compared with a year ago, the outlook for the coming summer is for higher consumer expenditures for butter than in 1935.

Imports of butter in April of 700,000 pounds were small compared to the 8,900,000 pounds a year earlier. The total imports for the first 4 months of 1936 was only about one-fourth as large as in 1935. The narrower margin between domestic and foreign prices has discouraged imports.

The net into-storage movement of butter in May was 16,078,000 pounds compared to 27,420,000 pounds a year earlier. Total stocks on June 1 were 21,075,000 pounds compared to the 5-year average of 31,946,000 pounds.

CHEESE

Cheese prices have risen from the low level reached in early May, and in early June were higher than a year earlier. It seems probable that prices during the summer months will average higher than in the same months of the preceding year. Cheese production and stocks are high compared with other years, but the general demand situation has improved. This has been an important factor in the strengthening of cheese prices.

The price of cheese (twins) on the Wisconsin Cheese Exchange in May averaged 12.8 cents. This was 0.2 cents less than a month earlier, and 0.7 cents less than a year earlier. In early June, however, the price rose to 14.0 cents, which was somewhat higher than at the same time in 1935. It seems probable that cheese prices during the into-storage period, June to August, will average higher than in the same months of 1935.

Estimated production of cheese in April of 48,800,000 pounds was 15 percent larger than a year earlier and the second highest on record for the month. The increase in production from March to April (7.7 percent) was only about one-half as great as the usual seasonal increase between these 2 months. Low prices of cheese in relation to butter in 1936 have resulted in decidedly less than the usual seasonal increase in cheese production, since the first of the year.

Trade output of cheese in April of 59,000,000 pounds was 6.9 percent larger than in the same months of the preceding year and a new high for the month. Retail prices of cheese in April were 3.1 percent higher than in April 1935. These changes indicate an increase of about 10 percent in consumer expenditures for cheese to the highest level for the month since 1930. It seems probable that this higher level of expenditures will continue for some time.

Total imports of cheese in April of 4,200,000 pounds were slightly less than in the same month of 1935. Imports from Canada of 387,000 pounds were decidedly larger than a year earlier, but were only 7 percent of total imports.

Storage stocks of American cheese on June 1 were 56,957,000 pounds compared with 48,320,000 pounds on the same date in 1935 and the 5-year June 1 average of 46,991,000 pounds.

POULTRY AND EGGS

Market prices of eggs were unchanged during most of May, rising slightly toward the end and in early June. Receipts of eggs continue to exceed those of 1935, but storage stocks are running less than in 1935. Egg prices, now less than a year ago probably will be above those of 1935 by the end of the summer.

The farm price of chickens declined slightly from April 15 to May 15, but this is a regular seasonal occurrence. Poultry receipts are beginning to increase over those of 1935 and during the last half of 1936 prices may go below those of a year earlier.

The market price of eggs (mid-western special packed) at New York averaged 23.9 cents per dozen in May, about a cent more than in April, but 3.6 cents less than in May 1935. The farm price rose 1.3 cents from April 15 to 18.1 cents on May 15. The farm price of chickens fell .3 of a cent, in this same period, to 16.6 cents, but were .9 of a cent above May 1935.

Receipts of eggs at the four markets in May were 2,003,000 cases as compared with 1,871,000 cases a year earlier and a 5-year average of 2,045,000 cases. Until mid-summer receipts of eggs are likely to continue to exceed those for the same period of 1935, but will still be less than the 5-year average.

Receipts of dressed poultry at the four markets in May were much above those of a year earlier; 17,900,000 pounds as compared with 14,400,000 pounds, and a 5-year average of 18,300,000 pounds. With commercial hatcheries reporting a 24 percent increase in salable chicks hatched in the first 4 months of 1936 as compared with 1935, receipts during the rest of the year will probably continue to exceed those of 1935.

Storage stocks of frozen poultry on June 1 were low, amounting to 41,871,000 pounds as compared with 48,300,000 pounds a year ago and a 5-year average of 41.,300,000 pounds. Storage stocks will continue to diminish until mid-summer, when the seasonal into-storage movement begins.

Storage stocks of eggs, on June 1 while near their peak, are below July 1 last year and considerably below the 5-year average for June 1. Beginning with August and September cold storage stocks will be an important source of supply. Stocks on June 1 were 5,681,000 cases as compared with 6,366,000 cases a year earlier and a 5-year average of 7,103,000 cases.

WOOL

The supply of wool including production and stocks available in the United States in 1936 will be considerably smaller than in 1935 but it seems probable that domestic consumption also will be smaller than last year. If mill consumption during the remainder of the year does not decline appreciably from the present level which is somewhat below that of a year earlier little further weakness in domestic wool prices is probable in the next few months.

Heavy buying of the 1936 domestic clip by wool dealers got under way in the producing States in the last month. Prices at country points advanced in May following some decline in April. Mill buying of wool, however, was very restricted during most of May and the slightly higher price trend reported at Boston was based on a very limited volume of business.

Prices in British currency at the third series of London sales held from May 5 to 15 were mostly 5 to 10 percent below those of the March series for merino and fine crossbred wools. A somewhat smaller decline was reported on medium and low crossbred wools. The decline in prices at this series was attributed in part, to weakened demand from continental European countries. Sales in Southern Hemisphere centers are about over for the current season and the July sales at London will be the only important test of foreign wool prices until the opening of the 1936-37 Southern Hemisphere selling season in September. Although mill activity abroad may decline some from present levels, prices in foreign markets are not likely to show much change in the next few months in view of the small stocks of wool now available in both foreign consuming and producing countries.

The decline in prices of domestic wools in April was greater than the recent decline in foreign prices and the margin between domestic and foreign prices in April and May was smaller than during the first quarter of the year.

Quotations for fine (64s, 70s, 80s) strictly combing territory wool at Boston averaged 89 cents a pound, scoured basis in the week ended June 6 compared with 87 cents a month earlier and 74 cents a year earlier. Territory 56s averaged 77 cents a pound in the first week of June compared with 76 cents a month earlier and 63 cents a year earlier. The United States average farm price of wool on May 15 was 25.8 cents a pound compared with 26.2 cents on April 15 and 16.1 cents on May 15, 1935.

United States imports for consumption of apparel class wool were 10,068,000 pounds in April compared with 13,667,000 pounds in March and 1,203,000 pounds in April 1935. Imports of apparel wool for consumption in the first 4 months of this year totaled 45,677,000 pounds, and imports of carpet wool amounted to 44,541,000 pounds. In the same months of 1935 imports of apparel wool were 6,510,000 pounds and imports of carpet wool were 42,942,000 pounds. A large quantity of foreign wool has been received in recent months

for storage in bonded warehouses which is not included in the above figures on imports for consumption. About 30,000,000 pounds of apparel class wool were held in bonded customs warehouses on April 1, the largest stocks reported in this position since June 1, 1930.

Mill consumption of apparel wool in the United States decreased sharply in April. When the figures are adjusted for seasonal variation there has been a decline in every month since last October and the rate of consumption in April was lower than in any month since November 1934. It appears probable that mill consumption for the remainder of 1936 will be smaller than the high level of consumption in the same months last year. The normal seasonal trend of wool consumption is downward from March through July.

Manufacturing activity in the wool industry of the United Kingdom continues relatively high but at a level slightly below the recent peak activity. The improvement in that country in the last year has been almost entirely due to improved home consumption. Activity in the wool markets of continental Europe has been adversely influenced by the uncertain political situation in the last few months. However, there has been a fairly general improvement in the wool textile industry of continental Europe except Germany and Italy since last fall. Wool has gone into manufacture at a rapid rate in most Northern Hemisphere countries in the current season and stocks of raw wool are reported to be low. The quantity of wool carried over in the Southern Hemisphere on May 1 was very small compared with last year and also with the preceding 5-year average.

Present prospects indicate that world wool production in 1936 may not be greatly different from that of 1935. World wool production, excluding Russia and China declined 5 percent from 1932 to 1935 and in the latter year amounted to 3,278,000,000 pounds, the lowest level since 1929. A reduction in sheep numbers and wool production became apparent in practically all important Southern Hemisphere countries after 1932 following a period of declining wool and meat prices combined with unusually adverse weather conditions in the Union of South Africa and parts of Australia. In New Zealand reductions in sheep numbers began even earlier than in other countries. Indications at present for 1936 are for little change in production in the United States.

COTTON

Prices were comparatively steady during May but showed a moderate tendency to strengthen throughout the month and during the first week of June. Domestic mill activity continues to run at a high level with an improvement in mill positions with respect to production and sales during the last 2 or 3 weeks. Foreign mill activity shows little change from the comparatively high rate maintained during recent months. Crop prospects in the United States vary considerably from region to region, ranging from fair to good throughout most of the Western and South Central Sections of the Belt to decidedly poor in the Northeastern part of the Belt.

The price of middling spot cotton at the 10 markets has displayed strength during the last 6 weeks, advancing from an average of 11.40 cents for the week ended May 2 to an average of 11.73 for the week ended June 6. The average for the month of May was 11.56 cents compared with 11.57 in April and 12.33 in May last year. Important among factors tending to strengthen prices have been the scarcity of rainfall in the Northeastern part of the cotton belt, the high level of domestic mill activity, and the continued forwardings of large quantities of American cotton to foreign mills as compared with forwardings during the same period last year. These strengthening factors have more than offset any price depressing tendencies which may have resulted from the disposal of government financed loan cotton and the cheapening of Indian and other foreign cottons relative to American.

Trade reports are to the effect that the American crop is definitely late in most sections, but is making fairly good progress over approximately three-fourths of the Belt. The drought in the western cotton States during the early spring was broken in early May but was followed later in the month by excessive rainfall which according to reports washed out some fields and stimulated the growth of grass and weeds. In general, however, the crop is in fairly good condition in the Southwest, in Mississippi, and in the southern portion of the Belt eastward from Mississippi.

Northern Alabama, Tennessee, and the Atlantic States, with the exception of the Coastal Plains region, are a distinctly drought area. In some localities the crop has been planted two or three times and many areas have no cotton up because of the lack of rain. With the crop so late and with the emergence of weevils delayed by the dryness of the season it is the belief of trade observers that the combination of weather conditions during the next 3 months would have to be exceptionally favorable to bring the crop forward to a good development without at the same time bringing on extensive weevil damage. The past cold winter doubtless reduced the carry-over of weevils from last year but summer weather is more important than winter weather in controlling the weevil.

The 1,000,000 bales of government financed loan-stock cotton which the Commodity Credit Corporation announced on April 4 would be available for release to producer-borrowers has moved into trade channels very rapidly. The Corporation announced on June 6 that requests received for the release of loan cotton aggregated 1,033,762 bales up to midnight of May 31. Of this amount 707,693 bales have actually been released. About 133,000 bales are represented by transactions against which the Corporation has mailed the warehouse receipts to local banks which collect the proceeds from producer-borrower or their agents. Receipts for an additional 192,000 bales are in the process of being forwarded for collection. When all of this loan cotton has been actually released, total stocks of government financed cotton will be brought down to between 3,500,000 and 3,750,000 bales the exact figure depending upon sales of spot cotton by the Producer's Pool during the next few weeks. On June 30, 1934 total stocks of government financed cotton were 3,758,000 bales and amounted to 5,168,000 bales at the end of June last year.

Domestic mill positions which were rather unfavorable during most of May showed an improvement during the last week of the month, and this improvement has continued into June, according to the New York Cotton Exchange Service. The downward tendency of mill margins has been checked, and it is believed that total sales of cloth by the mills exceeded total production. Mill activity shows little change, and is probably about 25 percent above a year ago. According to the Index of the Exchange Service mill operations are now above the 1922-27 average, allowing for seasonal variation. Domestic cotton consumption amounted to 531,000 bales in May compared with 470,000 bales in May last year and 5,180,000 bales for the 10 months ended May 31 compared with a consumption of 4,586,000 bales in the same 10 month period last year.

Mill activity in foreign countries during May showed no significant change from the generally favorable situation which has prevailed for the last 7 or 8 months. Mills in Lancashire are reported to be running at a considerably higher rate than a year ago and are moving their output as it is produced. In France orders are running ahead of production, and German mills are running up to the limit allowed by the Government. Italian mill activity is restricted because of the loss of export markets and government limitations on imports of cotton. It is believed that mill positions are unfavorable in Japan, but activity continues at a high level. Consumption of Indian cotton by Indian mills in April was the largest for any April on record. Throughout foreign countries in general forwardings of American cotton are running materially above a year ago in spite of the fact that foreign cottons are now about as cheap relative to American as they were a year ago. It should be remembered, however, that the increased foreign consumption of American cotton represents only a partial recovery from the very low levels of last year toward what was formerly thought of as a normal foreign consumption of American cotton.

Exports of American cotton in May were 352,000 bales or 27 percent above the same month last year. Exports for the 10 months ending May 31 were 5,519,000 bales or 32 percent more than exports during the same period last year.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/ (1910-1914 =100)	Commodity prices: United States: Wholesale 2/		Commodity prices: Foreign 4/: In foreign currency	Interest rates in per-cent 5/	Industrial stock prices in dollars 6/
	1923 - 1925 = 100				1910-1914 =100	1926 = 100			
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	106	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	97	4.01	176
1928	111	102	99	149	141	97	97	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	83	3.56	236
1931	81	68	77	87	107	73	73	2.58	139
1932	64	46	64	65	95	65	69	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935-									
Mar.	88	71	82	108	116	79	71	.88	100
Apr.	86	71	83	111	117	80	71	.81	106
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	70	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	75	85	109	118	80	73	.75	135
Nov.	98	74	85	108	118	81	74	.75	144
Dec.	104	77	85	110	118	81	74	.75	142
1936-									
Jan.	98	72	83	109	118	81	74	.75	146
Feb.	94	72	83	109	118	81	74	.75	152
Mar.	93	76	84	104	116	80	74	.75	156
Apr.	100	78	85	105	116	80	74	.75	156
May				103	115	79		.75	149

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Harvard Economic Service, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

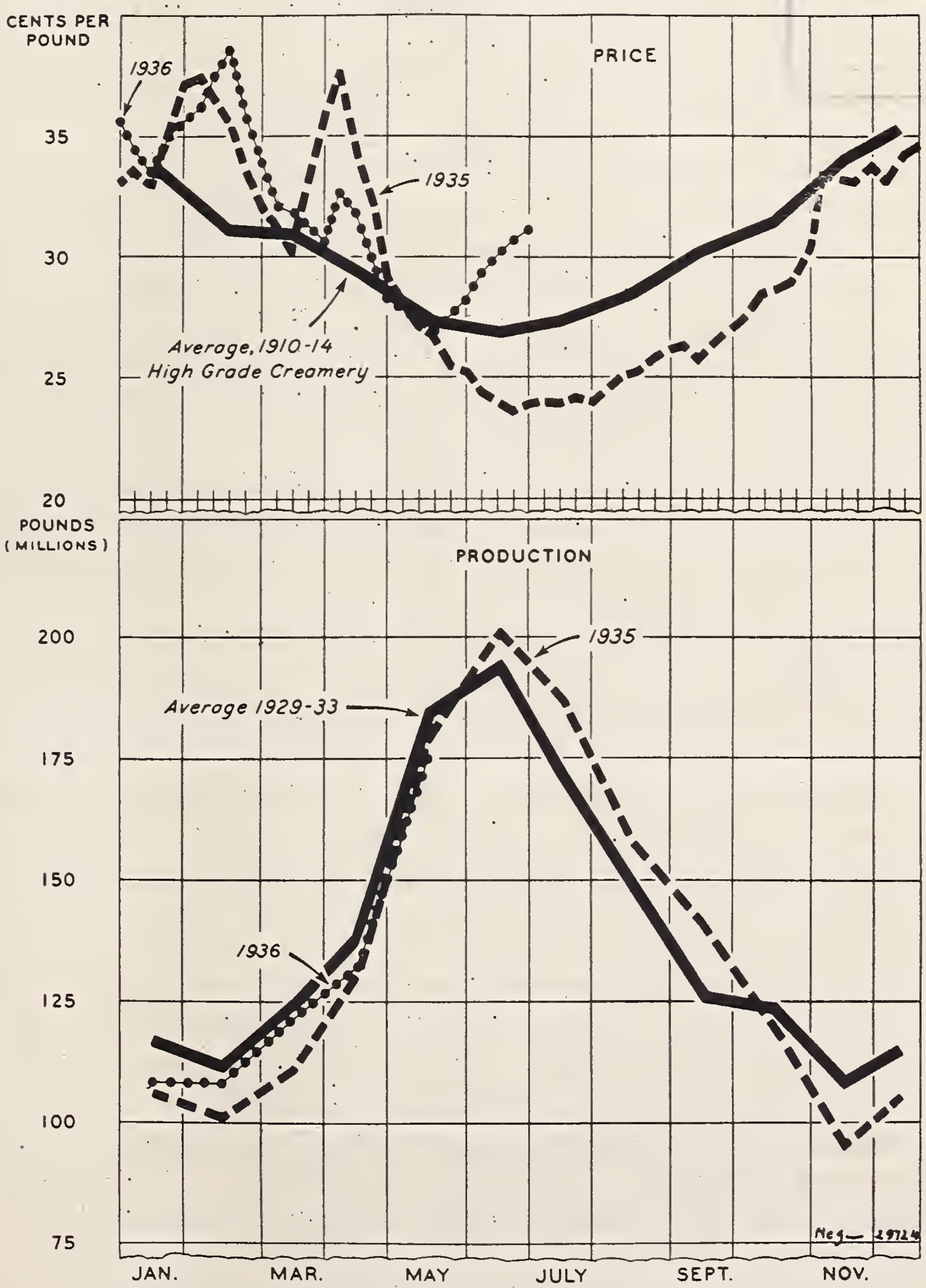
The PRICE SITUATION

JULY 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON

BUTTER: PRICE OF 92-SCORE, NEW YORK, AND PRODUCTION OF CREAMERY, UNITED STATES



PASTURES AND CROP PRODUCTION IN 1935 WERE RELATIVELY GOOD, AND BUTTER PRODUCTION IN THE LAST HALF OF THE YEAR WAS LARGE. THE DROUGHT SITUATION THIS YEAR WILL BE AN IMPORTANT FACTOR IN AFFECTING PRODUCTION AND PRICES DURING THE REMAINDER OF 1936.

FARM PRICES

The general level of farm prices, which showed some rise from May to June, appears to have advanced considerably during the last month. Sharply higher prices for wheat and feed grains and moderately higher prices for hogs, butter, cheese, eggs and cotton appear to have more than offset the declines in prices of potatoes, cattle, and lambs.

Hog prices have shown a continued advance since late May. Since slaughter supplies of all species of livestock increased from May to June, this rise in hog prices reflects an improvement in consumer demand for meats. Slaughter supplies of cattle and calves were unusually large for the month of June, and were accompanied by continued price declines for all grades of slaughter cattle during the first half of the month. Prices of the better grades of beef steers and of butcher cattle made some recovery during the last week of June and early July, but the prices of the lower grades of butcher cattle continued to decline. It now seems probable that the low point for prices of better grades of beef cattle was reached in June and that prices will strengthen during the rest of the summer and fall. Receipts of drought cattle in some of the markets, together with seasonal factors, will undoubtedly cause a continued decline in prices of the lower grades of butcher cattle. Prices of slaughter lambs took a sharp drop in the last week of June and the first week of July. The decline was largely seasonal, but came about a month later than is usually the case.

Butter and cheese prices have shown a marked rise during the past month. This rise, occurring at a time when there is usually little seasonal change, is due to a curtailment of production by the drought accompanied by an improvement in consumer demand. It seems probable that butter and cheese prices during the last half of 1936 will average higher than in the corresponding period of 1935. Egg prices, although now less than a year ago, will probably be above those of 1935 by the end of the summer.

Potato prices in city markets and at shipping points have shown a sharp seasonal decline during the past month, and are likely to continue to decline during the next few months as supplies from the late crop States become available for market. The crop is expected to be short in nearly all of the principal producing sections, however, and this will probably cause prices to be maintained at a higher level than prevailed in the last several years. The drought conditions in the Northwest have caused a material deterioration in the spring wheat crop, and, since the middle of June, prices have registered extremely sharp gains. The outlook based on July 1 condition is for a total United States wheat crop slightly larger than last year. The prospects for corn and other feed crops have been rendered very poor by the drought, and feed grain prices have been rising since late May and early June.

Although the total acreage devoted to truck crops is a little greater than last year, smaller yields are anticipated, and for the balance of the summer production probably will be slightly less than a year ago. Consequently prices during the next few months are likely to be slightly higher than they were in the corresponding period last year. Fruit crops in general will be somewhat smaller than in 1935 and prices probably will average higher than last season. Cotton crop conditions are fairly favorable. The severe drought conditions which existed in the Northeastern part of the Belt at this time last month have been broken for the most part by rains during the last 3 or 4 weeks.

However, the relatively small increase in cotton acreage over last year, the improved level of world consumption of American cotton, and the decline in Government and private stocks have been accompanied by decidedly strong prices throughout June and early July.

The index of prices received by farmers in mid-June was 107 percent of the pre-war average compared with 103 in May and 104 in June 1935. Prices paid by farmers in June were probably about the same as in May and April, or 121 percent of the pre-war average, compared with 127 a year earlier. As a result of the increase in farm prices, the ratio of prices received to prices paid increased from 85 in May to 88 in June, compared with 82 in June 1935.

WHOLESALE PRICES

The general level of wholesale prices at 116 percent of the pre-war average in early July, was 2 points above the recent low point in May and about the same as a year earlier. During the first 5 months of the year, severe price declines in grains and foodstuffs, as well as a weakness in other agricultural prices, brought about a fall in the general index. The recent widespread drought has reduced the size of prospective crops and brought about a general upturn in prices both of farm products and foods. Prices of fruit and vegetable foods in the last 7 weeks have increased by 18 percent, and prices of every group of farm products have risen between 6 and 9 percent. The movement of the general level of wholesale prices for the balance of the year is expected to be influenced largely by the course of prices of farm products and foods.

Prices of commodities other than farm products and foods are slightly higher than either a year ago or 2 years ago. Prices of hides and leather products, fuel and lighting, building materials, house furnishings, and miscellaneous commodities are now higher than a year ago, whereas prices of textiles, metals and chemicals have declined a little. Prices of raw materials and semi-manufactured goods are higher compared with a year ago and also compared with 2 years ago; prices of finished goods are lower than a year ago but higher than they were 2 years ago. However, price changes in these commodities during the past year have been relatively slight.

The trend of wholesale prices in the major foreign countries in recent weeks has been moderately upward. Prices in England in late June were at the highest level since February, though changes during the year have been slight. Prices in France, after a slight recession in April, resumed their upward trend in May and June, both movements reflecting changes in prices of agricultural products. Prices in France in late June were 17 percent higher than the low point in June 1935. Changes in established prices in Germany occur only within very narrow limits because of the maintenance of an extensive system of price control, but the trend has been slightly upward in the last 15 months. Advances in prices of agricultural products and finished goods in Germany have more than offset the recent price declines in industrial raw materials and semi-manufactured products.

In Canada, the upward movement of prices has been in progress only since early June, prices in the first 5 months of the year having been on a slightly downward trend. Prices in China (Shanghai) in June advanced slightly after an abrupt decline in May from the 3-year high point reached in April.

BUSINESS CONDITIONS

Industrial activity and trade in June were at about the highest level reached in the recovery period. The leveling out of steel production by the extension into the third quarter of the year of deliveries of steel purchased at prices prevailing in the second quarter, and the continued high level of automobile sales, have lessened somewhat the probability of a greater than usual seasonal decline in industrial output during the summer months. On the other hand, the drought will no doubt check the sale of farm equipment and reduce retail trade in the Northwest.

During the first half of 1936 industrial activity averaged about 12 percent above the same months of 1935. Practically all of the increase in industrial output over the levels of a year ago occurred in the durable goods industry, where output during the first 6 months was 28 percent higher than in the same months last year. The output of nondurable goods was less than 4 percent above the first 6 months of 1935. While it is likely that the level of industrial output, particularly in the durable goods industries, will continue considerably above that of the same time last year, it does not seem probable that the last half of 1936 will show as great an improvement over a year ago as occurred in the first half of the year.

Automobile sales have continued unusually large, and weekly production in June and early July remained practically unchanged, in contrast to the usual decline at this season. Advancing prices of cotton have been accompanied by improved conditions in the cotton textile industry, with sales of cotton goods exceeding production in the past several weeks. Activity in the woolen and rayon textile industries appears to have become stabilized, or slightly improved, after several months of decline following the high level of activity reached in the latter part of 1935.

Freight carloadings, while making about the usual seasonal changes in recent months, have been at substantially higher levels than a year ago, reflecting the higher level of industrial output and trade. Electric power production continues to increase more than seasonally and has reached new high levels in recent weeks. This improvement in activity has greatly increased the net earnings of railroads and utilities. Since these two fields of industrial activity provide the most favorable prospects for increased industrial building, through the replacement of equipment and new construction, a continuation of these increased earnings should be accompanied by further expenditures for equipment and building. During the first 3 weeks of June, the average of daily contract awards was slightly lower than in May but averaged about 40 percent higher than a year ago. All classifications of building contracts were higher than a year ago, with the greatest increase occurring in awards for public works and utility contracts.

Retail sales in most lines of commodities increased slightly more than seasonally from May to June. Sales of automobiles in June were considerably larger than a year ago and did not make the usual seasonal decline from May to June. Sales in rural areas and in variety stores generally continued to record gains, and department store sales declined less than seasonally. The Federal Reserve Board's seasonally adjusted index of department store sales in June was 89 percent of the 1923-25 average, compared with 88 in May and 80 in June last year. In recent months sales of the more durable consumers' goods, such as furniture, oil burners, and electric refrigerators, have been substantially higher than a year ago.

Industrial activity in most foreign countries has maintained the improvement of recent months. In Great Britain industrial activity in May was at the highest levels since the War, with several of the durable goods industries operating at capacity, and indications are for further recovery after the summer holidays. Industrial output in Germany increased considerably more than seasonally in the spring months, and business activity in Scandinavian and other European countries has been well maintained. Improvement in industrial activity in France, which had been under way since last October, was checked in April, and extensive strikes in that country and in Belgium in the past 2 months have been accompanied by recession in industrial output. Reports from Holland and Switzerland indicate that industrial activity is continuing at the low level of recent months. Industrial output in Russia and Japan continues to increase, and foreign trade in China has made some further recovery in the past 2 months.

WHEAT

Wheat prices in the United States in 1936-37 are now expected to remain about as high relative to Liverpool prices as they did during the past 3 seasons when production, due to drought and rust, was less than the annual domestic requirements. During this period prices averaged about 20 to 30 cents higher than they would have been with more nearly normal yields. The deterioration which has taken place to date in the spring wheat crop may so reduce prospects that the outturn might not be much different from last year's. In 1933-34 and 1934-35 large carry-over stocks greatly reduced the need of imports, but stocks are now down to about normal proportions, so that any shortage in 1936-37 will need to be made up by imports.

In view of the fact that it now appears that the United States will be on an import basis, changes in United States prices will be largely influenced by the same factors which determine the course of prices at Winnipeg and Liverpool. Prices in these markets are expected to average higher in 1936-37 than during the past year because of shorter prospective world supplies. It is estimated that the July 1 world carry-over was reduced about 225,000,000 bushels from a year earlier, and present prospects indicate a somewhat smaller Northern Hemisphere crop than last year. If the Southern Hemisphere countries get average yields it will little more than offset the smaller prospective production in the Northern Hemisphere outside of Russia and China.

Up until early June a large enough surplus of wheat to put the United States on an export basis seemed likely, and prices were adjusting downward to a shipping differential under Liverpool. However, as the drought conditions began to reduce spring wheat crop prospects, prices strengthened and after the middle of June, as conditions grew worse, they registered the sharpest gains in recent years. From the low point in late May and early June, No. 2 Hard Amber Durum at Minneapolis rose 45 cents, No. 2 Hard Winter at Kansas City 26 cents, No. 2 Red Winter at St. Louis 17 cents, and No. 2 Dark Northern Spring at Minneapolis 14 cents. Average farm prices of wheat in the United States declined from 82.3 cents per bushel on May 15 to 80.6 cents on June 15. Last year the June 15 farm price was 77.3 cents.

Production of all wheat in the United States, as indicated by July 1 condition, was estimated at 638,000,000 bushels compared with 623,000,000 bushels in 1935, 526,000,000 in 1934, 552,000,000 in 1933 and the 5-year (1928-32) average of 864,000,000 bushels. Winter wheat production was indicated at 512,000,000 bushels compared with 464,000,000 in 1935, and 622,000,000 the 5-year average. The July estimate of winter wheat is about 30,000,000 bushels less than a month earlier, owing to a change in the acreage estimates for recent years to bring them in line with the acreage and production enumerated by the Census for 1934. Actually there was little change in prospective per-acre yields of winter wheat during June, slight improvement in the Pacific Northwest having been largely offset by deterioration in the more Northern Great Plains States and in the East Central States. Production of all spring wheat in 1936 is indicated at 126,000,000 bushels compared with 159,000,000 in 1935 and the 5-year average of 241,000,000. During May the crop suffered from lack of moisture and above-normal temperatures in North Dakota, South Dakota, Nebraska, and Wyoming. During June, continued high temperatures and deficient rainfall caused prospects to decline rapidly in these States and also in Montana and Colorado. By July 1, the crop was showing considerable deterioration in western Minnesota. In Washington and Oregon prospects improved somewhat during June. Continued unfavorable conditions in early July in the Northern Great Plains States undoubtedly further reduced prospects from the July 1 indications.

Based on July 1 condition, a production of hard red winter wheat of 266,000,000 bushels is indicated; soft red winter, 195,000,000 bushels; hard red spring, 70,000,000 bushels; durum, 10,000,000 bushels; and white, 97,000,000 bushels. These indications would more than take care of the usual requirements of soft red, white wheat, and hard winter, but hard red spring and durum would be below normal needs. A moderate excess of hard red winter wheat over average requirements, together with a limited amount of soft wheat, might be substituted for deficient supplies of hard spring wheat, but this would probably only partly take care of the shortage and some imports would be necessary. Total supplies of all hard wheats will probably be no greater than last year and perhaps less. Substitution of other types of wheat for durum is unsatisfactory; and durum imports would also be likely. Based on the geographic distribution of these classes, it may be concluded that prices in the interior markets east of the Rockies will again be relatively high compared with prices in the Pacific Coast and Southeastern States.

Foreign wheat production in the Northern Hemisphere countries outside of Russia and China may be about 90,000,000 bushels less or 4 percent under 1935. Prospects in Canada indicate a crop not much different from last year, while those for Europe and India are considerably below last year, being about 5 and 3 percent less, respectively. Production in North Africa is indicated to be higher than last year. The total acreage sown to wheat in Russia this year is estimated to be about 98,000,000 acres, which is an increase of about 5 percent over the 1935 acreage. However, if drought and high temperatures in Russia, as now reported, persist, it is possible that shipments from Russia will not be very significant in 1936-37. Production in China is expected to be about 10 percent above that of last year.

CORN AND OTHER FEED CROPS

Feed grain prices have been rising since late May and early June as a result of threatened damage to corn and poor prospects for oats and barley. The rise was gradual until the first week in July when prices rose sharply. Weather will continue to be the dominant price factor as the corn crop approaches the critical stage of growth.

Supplies of feed grains in prospect at present, including stocks now on hand, while considerably below average, are somewhat less than last year. Total supplies of oats for 1936-37, including farm and commercial stocks, are indicated to be 1,084,000,000 bushels compared with 1,277,000,000 bushels a year earlier and 673,000,000 bushels in the drought year of 1934-35. Total supplies of barley, including farm and commercial stocks, are indicated to be 243,000,000 bushels this year compared with 305,000,000 last year and 153,600,000 bushels in 1934-35. A corn crop of 2,245,000,000 bushels is indicated by the July 1 condition, which is only 2 percent less than in 1935 but 12 percent less than the 5-year (1928-32) average. Farm stocks of corn grain as of July 1 were estimated at 392,000,000 bushels, which is 5 percent more than the 5-year average, 89 percent greater than on July 1, 1935, but 20 percent less than they were in the same month of the drought year of 1934. In the West North Central region, where this year's drought is most threatening, corn stocks are about half those of 1934, and in Illinois they are about 80 percent of the 1934 stocks. In nearly all other corn producing states, stocks are larger than in 1934. July 1 commercial stocks of corn were placed at 6,985,000 bushels.

Corn has been injured considerably in some localities and it is threatened over a rather wide area that normally produces about half of the total crop. In the main Corn Belt States, however, the bulk of the crop will not reach the critical tasseling stage for another week or so, and it is believed that in this area most fields could still show nearly complete recovery if the drought is relieved in the next few days. Since July 1 prospects for late corn in the South have been materially improved by rains which covered a large area from south Texas through Louisiana, Alabama, Mississippi, Arkansas, and Tennessee. On the other hand, in most of the main Corn Belt, drought and extremely hot weather have continued during early July, which has caused corn prospects in that area to be more seriously threatened.

The oats crop is indicated by the July 1 condition at 805,000,000 bushels which is 33 percent less than last year and 34 percent less than the 5-year average. This forecast of oats is 72,000,000 bushels greater than the production in 1933 and 263,000,000 bushels greater than that of 1934, when yields were reduced by severe drought over a somewhat wider area than this year. The production of barley is estimated at 165,000,000 bushels, which is 42 percent less than in 1935, and 41 percent less than the 5-year average. The hot weather since July 1, moreover, has doubtless caused further loss in feed grain acreage in North Dakota and South Dakota and surrounding States. In North Dakota and South Dakota the loss of early crops is now probably as great as in any previous drought.

Farm stocks of oats on July 1 of this year are the largest in the past 10 years. They are estimated at 247,500,000 bushels, compared with 71,400,000 bushels a year ago and 148,500,000 bushels the 5-year (1928-32) average. July 1 commercial stocks of oats were 31,059,000 bushels compared with June 1 stocks of 31,043,000 bushels, while the figures for barley were 10,571,000 and 11,822,000 bushels, respectively.

Present conditions suggest a hay crop about 26 percent larger than the very small crop of 1934. Large increases in soybeans for hay have occurred in the Southern States where drought has increased the need for additional hay and forage. The increase in acreage grown alone is estimated to be 13 percent in the South Atlantic States and 28 percent in the South Central States. The total acreage of soybeans grown alone in the United States, estimated at 4,380,000 acres, is 16 percent less than in 1935 due to a 24 percent decrease in the North Central States, where in recent years there has been a marked increase in production. The condition of pastures on July 1 was reported as 58.1 percent of normal. With the exception of the 48.9 percent reported in 1934, this is the lowest July 1 pasture condition on record.

The farm price of corn on June 15 was 61.3 cents compared with 60.0 cents on May 15, and 83.3 cents a year ago, while the farm price of oats was 24.3 cents on June 15, compared with 25.1 cents a month earlier and 41.9 cents a year earlier. No. 3 Yellow corn at Chicago rose from 60 cents on June 1 to 87 cents on July 10, while No. 3 White oats at Chicago rose from 25 cents on July 2 to 39 cents on July 10, and No. 2 Barley at Minneapolis rose from 56 cents on May 26 to 78 cents on July 10. The hog-corn ratio still continues favorable for feeding, even though it declined from 16.0, based on Chicago prices, for the first week in June to 14.8 the first week in July. If the 1936 corn crop should be greatly reduced by drought, however, it is probable that corn prices would rise relative to hog prices.

Receipts of feed grains at the principal markets increased during June compared with those for May, while shipments showed little change. Receipts at 13 markets during June totaled 25,061,000 bushels of corn and 6,447,000 bushels of oats, while shipments totaled 15,286,000 bushels of corn and 5,515,000 bushels of oats. Reported arrivals from foreign countries indicate that corn imports in June will show a marked reduction from the 938,000 bushels imported in May and 1,052,000 bushels in April. The

quantity of imports in 1936-37 will be largely determined by the size of the 1936 feed crops in the United States. Argentina is by far the most important source of our corn imports and the 1936 harvest in that country is one of the largest on record.

POTATOES

Potato prices are likely to continue to decline seasonally during the next few months as the supplies from the late crop states become available for market. The short crop indicated for the late states this year, however, may cause prices to be maintained at a somewhat higher level than has prevailed for the last several years and considerably higher than that of the last 2 years. Production in the 30 late-potato states may be the lightest since 1926.

Based upon conditions reported as of July 1, the total potato crop this year is indicated to be 315,359,000 bushels; the smallest since 1925, compared with 387,678,000 bushels in 1935 and the 1928-32 average of 372,115,000 bushels. The small production this year is due to a reduction in acreage of nearly 10 percent and to unfavorable growing conditions prevailing from planting time to date. The condition of the crop on July 1 was 73.5 percent of normal and the second-lowest July 1 condition reported in the last 70 years.

The crop is expected to be short in nearly all of the principal producing sections. Production in the 30 late states is indicated to be 264,593,000 bushels, or about 54,000,000 less than in 1935 and 36,000,000 bushels below the 1928-32 average. Late-potato supplies this season are likely to be short in the East and Middle West, but about average in the West.

Production in the Intermediate States is forecast at 24,945,000 bushels this year, or about 10,000,000 less than last year and nearly 15,000,000 bushels less than the 1928-32 average in these States. The crop in the early states (which have finished harvesting) is indicated to be 25,821,000 bushels, or about 8,000,000 below that of 1935.

Potato prices at city markets have declined sharply during the last month. Those for new-crop potatoes at New York dropped from $4.47 per 100 pounds during the first week of June to about $2.82 the first week of July. Chicago prices declined from $4.30 to $2.78 in this same period. A year ago, the New York market for new potatoes averaged $1.44 and Chicago $1.55 per 100 pounds. Supplies of potatoes during the next few weeks probably will originate from nearby areas, and it is likely that they will be sufficiently large to continue the decline in prices.

Shipping-point prices also dropped during the last month, those at points along the Eastern Shore of Virginia and Maryland declining from $3.06 per 100 pounds the second week of June to about $2.36 the second week of July. Prices at Washington, North Carolina, held close to $5.50 per barrel (or $3.35 per 100 pounds) during most of the shipping period for that area in June, compared with about $2.00 per barrel last year.

F.o.b. sales of Cobblers in the Kaw Valley of Kansas averaged around $2.50 per 100-pound sack during late June, declined about 50 cents by July 1, and then strengthened to $2.40 by July 8.

The United States average farm price of potatoes had advanced sharply to $1.37 per bushel on June 15, compared with 87 cents a month earlier and about 40 cents per bushel on June 15, 1935. The 5-year average of June prices for 1910-14 is about 72 cents per bushel to the grower.

The season for old potatoes (1935 crop) is closing with a total of 143,700 cars shipped by rail and boat during the season from the surplus late states. This is 15,500 cars less than moved from these states during the 1934-35 season. The movement of potatoes from the early and intermediate states recently averaged around 4,700 cars per week, with the Eastern Shore and Norfolk sections of Virginia and central California the leading sources of supply in mid-July. Kansas and Missouri also were active and the New Jersey shipping season was opening.

HOGS

Slaughter supplies of hogs next fall and winter probably will be materially larger than a year earlier but will be below average for that period of the year. The increase in supplies probably will get under way by late September or early October and is likely to be accompanied by a considerable decline in hog prices. According to the June 1936 Pig Crop Report, recently released, the spring pig crop this year was 29 percent larger than the very small spring crop in 1935. On the basis of interpretations of breeding intentions reported about June 1, it was estimated that the number of sows to farrow in the fall of 1936 will be about 14 percent larger than the number farrowed last fall. The number of sows farrowing this fall, however, may be smaller than indicated above if drought conditions in the Corn Belt continue severe.

It was also indicated in the June 1936 Pig Crop Report that the number of hogs on farms over 6 months of age on June 1 was 7 percent larger than a year earlier. The number of hogs on farms over 6 months of age on June 1 consists largely of hogs to be marketed in the following 3 or 4 months and sows bred to farrow in the coming fall. After allowance is made for the increase in hog slaughter in June compared with a year earlier and for the increase in the number of sows bred for farrow this fall, the small increase in the number of hogs on farms on June 1 indicates that hog slaughter during the remainder of the present marketing year (up to September 30, 1936) will not be greatly different from that in the corresponding period last year and considerably smaller than in May and June. However, should the present drought conditions in the Corn Belt continue, thereby reducing the corn crop materially, some liquidation of sows and spring pigs will occur. Inspected hog slaughter in the next 2 or 3 months compared with last year, therefore, may be larger than indicated by the number of hogs on farms on June 1.

Hog prices advanced somewhat in late May and early June and advanced further in late June and early July. Since slaughter supplies of all species of livestock increased from May to June, the recent rise in hog prices reflects an improvement in consumer demand for meats, considerably greater than was anticipated several months ago. In early July the top price of hogs at Chicago reached $11.15, the highest price paid at that market since mid-February. Because of the increased proportion of packing sows included in the slaughter supply, the average price of all hogs at Chicago did not advance as much as the top price. For the week ended July 4 the average price of hogs at Chicago was $10.12, the highest weekly average since late April. For the entire month of June the Chicago average price of hogs was $9.88 per 100 pounds compared with $9.58 in May and $9.27 in June last year. The advance in prices in recent weeks was somewhat greater for light and medium weight butcher hogs than for heavy weight butcher hogs and packing sows.

Slaughter supplies of hogs in June were somewhat larger than in May, but the increase was less than average for that period. Hog slaughter under Federal inspection in June, totaling about 2,759,000 head, was about 50 percent larger than the very small slaughter in June last year, but with the exception of June 1935, inspected slaughter in June this year was the smallest for the month since 1917. The proportion of packing sows in the market supply increased materially during June as is usual for this time of the year. Average weights of hogs continued to increase in June. The average weight of hogs at the seven leading markets for the month was 253 pounds compared with 242 pounds in May and 244 pounds in June 1935.

Prices of fresh pork declined in early June but were fairly steady during the remainder of the month and advanced in early July. Prices of most cuts of cured pork rose during June while lard prices were about steady. The composite wholesale price of hog products at New York averaged $20.99 per 100 pounds in June compared with $20.57 in May and $21.96 in the corresponding month a year earlier.

The advance in corn prices in recent weeks has been somewhat greater than the rise in hog prices, and the hog-corn price ratio declined during June and early July but continued to be higher than average. Based on Chicago prices, the ratio for the first week in July was 14.8 compared with 16.0 a month earlier and 10.6 a year earlier. The hog-corn price ratio has been above average since August 1935, and has been much above average since last November. The high hog prices in relation to corn prices in the last year were an important factor in causing the increases in the number of pigs produced in the fall of 1935 and in the spring of 1936, and they also have been the chief reason for the increase in average weights of hogs marketed during the present marketing year. If the 1936 corn crop should be greatly reduced by drought it is probable that corn prices will rise relative to hog prices in the coming year, and the incentive for further increases in hog production will be considerably lessened.

Storage holdings of pork on July 1, totaling 431,000,000 pounds, were slightly smaller than on June 1 or on the corresponding date a year earlier, and they were the smallest stocks of pork for July 1 on record.

Although pork stocks usually decrease during June, the out-of-storage movement during the month this year, and the marked increase in hog slaughter indicate that the movement of pork into consumptive channels in June this year was materially larger than a year earlier. Storage holdings of lard on July 1, amounting to 107,000,000 pounds, were 7 percent larger than a month earlier and 26 percent larger than a year earlier, but they were 25 percent smaller than the 5-year July 1 average.

Exports of pork in May were materially larger than in April but they were considerably smaller than in May last year. Exports of lard in May, on the other hand, were larger than in April, and also larger than in the corresponding month a year earlier. Except for May 1935, however, lard exports in May this year were the smallest for the month in at least the last 30 years. In the first 8 months of the 1935-36 marketing year, total exports of hog products were about 45 percent less than in 1934-35

CATTLE

Prices of beef steers continued to decline during the first half of June and for the week ended June 20 the average prices of choice and of good steers at Chicago reached the lowest levels since the end of 1934. The average weekly price of choice steers of $8.27 was $3.24 lower than in the corresponding week in 1935 and was $6.20 below the high weekly average early in May 1935. Prices of other kinds of slaughter cattle and of stocker and feeder cattle also declined during the first half of June. During the last week in June and early in July the better grades of beef steers and of butcher cattle made some recovery and for the week ended July 4 the average price of choice, good, and medium steers was about the same as in the week ended May 23. The lower grades of butcher cattle, however, continued to decline, this decline being largely seasonal but partly due to considerable receipts of drought cattle at some markets. The monthly average price of all beef steers at Chicago for June was $7.86 compared with $7.92 in May and $10.23 in June 1935. The June 15 farm price of beef cattle was $5.99 compared with $6.00 a month earlier and $6.55 a year earlier. The spread between the prices of beef steers and of stocker and feeder steers, which in May was unusually narrow, tended to widen in June as the prices of the former strengthened and of the latter declined.

Supplies of cattle during June were unusually large for the month. Receipts at seven leading markets were 44 percent larger than in June 1935 and 13 percent larger than the 5-year average. Inspected slaughter of 853,000 head was 23 percent larger than in June 1935, 19 percent above the 5-year June average and the largest for the month on record. Inspected slaughter of calves of 517,000 head was 18 percent and 16 percent larger than June 1935 and the 5-year June average, respectively, and was the second largest for the month on record. Receipts of all beef steers at Chicago were over 50 percent larger than in June 1935 and the supply of choice steers was almost 3 times as large. The total number of good and choice steers at Chicago in June was the largest for the month in 5 years. Inspected slaughter of cattle for the first 6 months of 1936 of 4,862,000 head was the second largest commercial slaughter for the period on record, 1918 being the record year. Inspected slaughter of calves for the 6 months was also the second largest on record.

Although some forced movement of cattle and calves from the drought area in the Northern Great Plains took place in June, the number of such cattle reaching public markets was very small, and this movement was a negligible factor in increasing the slaughter in June.

It now seems highly probable that the low point of prices for better grade beef cattle was reached in June and that prices for such cattle will strengthen during the rest of the summer and fall. While the number of cattle in feed lots is doubtless still larger than a year ago, the number of cattle placed on feed since March has been relatively small. The recent sharp advance in corn prices, the certain reduction in feed supplies of all kinds from what seemed probable a month ago, and higher prices for all feedstuffs will limit the number of cattle put on feed during the balance of 1936 and will tend to induce an earlier marketing of cattle now in feed lots than would have otherwise occurred. On July 1 there were apparently a good many cattle in feed lots both in the Corn Belt and in the Western States that were being held in the hopes of a material advance in prices. Under present conditions a continuation of this holding policy is unlikely and those cattle can be expected to move within the next 2 months.

The situation as regards lower grade slaughter cattle and stocker and feeder cattle is much less favorable. A heavy run of cattle from the drought area during the next 2 months is fairly certain. Pastures are generally poor over the country from the Rocky Mountains to the Atlantic Ocean and, while there is sufficient feed available in this area to take care of most of these drought cattle if conditions get no worse, it will take some weeks with favorable rainfall and temperatures to make certain that ample feed will be produced this year. With prospective high prices for feed grains and the unfavorable outcome from feeding operations this year, the demand for stocker and feeder cattle for the next 2 months, at least, is apt to be weak.

Slaughter of cattle and calves during the last half of 1936 is expected to continue heavy and commercial slaughter may be considerably augmented by the purchase and slaughter of cattle by government agencies and the distribution of the meat for relief.

LAMBS

Prices of slaughter lambs held fairly steady during the first 3 weeks in June, but during the last week of June and the first week of July prices took a sharp drop that carried the top on lambs at Chicago $2.00 a hundred below the top of about $12.25 a month earlier, with the drop on lower grade lambs even more marked. Prices of slaughter ewes were steady during most of June at the sharply lower level reached in May.

The average price of good and choice lambs at Chicago for June was $11.44 compared with $11.84 in May and $8.55 in June 1935. The June 15 farm price of lambs was $8.33, compared with $8.59 a month earlier and $6.52 a year earlier. The price decline of late June and early July was largely seasonal but came about a month later than is usually the case.

Supplies of lambs in June were rather small. Inspected slaughter of 1,309,000 head was 8 percent smaller than in June 1935 and 9 percent below the 5-year June average. In addition to the reduction in numbers, quality and weights were also below average and the proportion of good and choice lambs was small for the month.

The quality of the lambs coming from nearly all of the early lambing areas has been rather poor this year as a result of the unfavorable weather conditions early in the year and the unfavorable pasture conditions caused by lack of precipitation during the last 2 months. The market movement from most of the early lambing areas was delayed and it is probable that a larger than usual proportion of the early lamb crop will be marketed in July and August. Supplies during these months may also be augmented by a considerable movement of dry ewes and yearlings from the severe drought areas in the northern plains States.

Present indications are that the supply of late lambs from the western sheep States will include a rather small proportion of fat lambs and a considerable proportion of under weight feeder type of lambs. In view of the rather poor pastures over the Corn Belt States it is also likely that the native lamb crop may be of rather poor quality. Under these conditions the spread between common and choice slaughter lambs is expected to be rather wide during the second half of 1936, and the price of feeder lambs will probably be lower in relation to good slaughter lambs than a year earlier.

BUTTER

Butter prices rose from late May through the early part of July. Production has been curtailed by the drought, and consumer demand has improved. These factors have resulted in a marked rise in prices at a season of the year when there is usually little seasonal change. The trend of prices during the remainder of the year will depend to a large extent on the effects of the drought on production. Even if the drought is broken in the near future it seems probable that prices during the last half of 1936 will average considerably higher than in the corresponding period of 1935 and probably the highest since 1930.

The price of 92-score butter at New York rose from 26.9 cents for the week ended May 23 to 31.2 cents for the week ended July 4. The average price in June of 29.7 cents was 2.2 cents higher than a month earlier and 5.5 cents higher than a year earlier and the highest for the month since 1930. There is usually little change in prices from May to June, and the index of butter prices which is adjusted for seasonal variation rose from 97 in May to 105 in June (1910-1914 = 100).

In mid-June the farm price of butterfat of 27.7 cents per pound was somewhat higher than in May but 4.0 cents higher than a year earlier. The farm price of butterfat in June was equivalent to the farm price of 28.6 pounds of feed grains compared with 16.8 pounds a year earlier, 20.6 pounds in the drought year 1934, and the 1920-34 average of 25.2 pounds. It seems probable that butterfat prices are high enough in relation to feeds to stimulate considerable supplementary feeding. Butterfat prices, however, are decidedly lower in relation to cattle and hogs than in the drought period of 1934. Because of this price relationship and the drought, dairy production, in those areas where shifts are most easily made from dairying to meat animals, may be curtailed more than in 1934.

Estimated production of butter in May of 176,000,000 pounds was 2.0 percent less than a year earlier and the lowest for the month since 1929. The increase in production from April to May of 33 percent was about the same as the usual seasonal increase. The West North Central and Mountain States were the only groups of States in which production in May exceeded that of a year earlier. The hot, dry weather in June and July has had a marked effect on production in this area.

Trade output of butter in May of 160,000,000 pounds was 3.4 percent larger than a year earlier, but, except for 1935, it was the smallest for the month since 1930. The retail price of butter in May was only slightly higher than in May 1935. These changes would indicate an increase of about 4 percent in consumer expenditures for butter to the highest point for the month of May since 1930. It seems probable that the estimated consumer expenditures for butter during the last half of 1936 will be considerably higher than in the corresponding period of 1935.

During the past month domestic prices have risen more than foreign prices. In early July the margin between 92-score butter at New York and New Zealand butter in London was 7.1 cents compared to 4.5 cents in early June.

Storage stocks of butter are relatively low. The rise in butter prices and the low level of production have retarded the into-storage movement. Stocks on July 1 were 75,000,000 pounds compared with 96,000,000 a year earlier and the 5-year July 1 average of 89,000,000 pounds.

CHEESE

Cheese prices rose during June and, in early July, were the highest since the first of the year. The rise in prices was due in large part to the effects of the drought in curtailing dairy production. The outlook for prices during the remainder of 1936 depends to a large extent upon the seriousness of the drought. It seems probable, however, that cheese prices during the last half of 1936 will average higher than in the corresponding period of 1935 and probably the highest since 1929.

The price of cheese (twins) on the Wisconsin Cheese Exchange rose from 14.0 cents in early June to 16.0 cents in early July. The average price in June of 14.2 cents was 1.4 cents higher than in May and about 2.0 cents higher than a year earlier. There is usually little seasonal change in prices from May to June. The rise in prices was due primarily to the changed outlook for production.

In May the estimated production of cheese was 12 percent greater than a year earlier and a new high for the month. The 33-percent increase in production from April to May was about the same as the usual seasonal increase. Up to the first of June the dry weather in some sections had not had any marked effect on production.

The movement of cheese into consuming channels in May was 7 percent larger than in 1935 and a new high for the month. Retail prices of cheese in May were 3.0 percent higher than in the same month of the preceding year.

These changes indicate an increase of 10 percent in consumer expenditures for cheese. It seems probable that consumer expenditures for cheese during the last half of 1936 will exceed those in the same period of 1935.

Stocks of cheese continue relatively large. Cold storage holdings of American cheese on July 1 were 70,000,000 pounds compared with 64,000,000 pounds a year earlier and the 5-year average of 66,000,000 pounds.

Imports of cheese in May were the smallest for the month in more than 10 years. The rise in prices in the last 2 months, however, may result in some increase in imports.

POULTRY AND EGGS

Market prices of eggs rose sharply during the first half of June, but showed some decline in the last half of the month. Receipts of eggs continue to exceed those of 1935, but storage stocks are running less than a year ago. Egg prices, now less than a year ago, will probably be above those of 1935 by the end of the summer, since conditions favor a seasonal rise greater than occurred last year.

The farm price of chickens followed the regular seasonal movement and declined slightly from May 15 to June 15. Poultry receipts are exceeding those of 1935. During the last half of 1936 prices are likely to go below those of a year earlier, especially if the drought extends more into the poultry areas.

The market price of eggs (midwestern special packed) at New York averaged 25.1 cents per dozen in June, about a cent more than in May and about 2 cents less than in June 1935. The farm price rose .8 of a cent to 18.9 cents on June 15. The farm price of chickens fell .2 of a cent to 16.4 cents per pound, or .8 of a cent above the price a year earlier.

Receipts of eggs at the four markets in June were 1,646,000 cases compared with 1,429,000 cases a year earlier and a 5-year average of 1,514,000 cases. Should the drought extend into the important poultry sections, egg receipts may be curtailed by the sale of layers. This curtailment, however, would be more pronounced in the first half of 1937 than in the fall of 1936, as receipts from New England and the Pacific Coast are usually relatively large in the fall months.

Receipts of dressed poultry at the four markets in June continued above those of a year earlier, being 21,800,000 pounds compared with 18,300,000 pounds last year and a 5-year average of 21,300,000 pounds. It is likely that poultry receipts during the next 5 or 6 months will be greater than for the corresponding period of 1935. This will be due principally to increased hatchings, as indicated by a reported 23-percent increase in commercial hatchings for the first 5 months of 1936, but it is also likely that the drought may be a contributing factor.

Storage stocks of frozen poultry on July 1 were 43,000,000 pounds compared with 47,100,000 pounds a year earlier and a 5-year average of 40,000,000 pounds. Having almost reached their seasonal low point, stocks will begin to increase shortly.

Storage stocks of eggs on July 1 are less than a year ago, 7,100,000 cases compared with 7,600,000 cases last year and a 5-year average of 8,400,000 cases. Since storage stocks are an important source of supply in the last 5 months of the year, prices may be expected to rise above those of 1935.

WOOL

Wool prices in the domestic market remained practically unchanged during June. Although domestic prices have advanced from the low point of April, they have not reached the peak reported in January and early February. In view of the reduction in domestic mill consumption compared with last year and of recent declines in foreign wool prices, a rather slow market for domestic wool during the remainder of the season appears likely.

Prices at the opening of the fourth series of 1936 wool sales at London on July 7 were mostly 5 to 10 percent below prices at the close of the previous series on May 15, reflecting the declines reported from Bradford and Southern Hemisphere markets in the interval between the London sales. The outlook for the opening of the new selling season in Australia on August 31 is somewhat uncertain because of the unsettled conditions in continental Europe and the refusal of Japanese buyers to bid at recent sales in Australia. The threatened boycott by Japan is in protest against higher Australian tariff rates on certain Japanese manufactures. In recent years Japan's purchases of Australian wool have been exceeded only by those of the United Kingdom.

Quotations for fine (64s, 70s, 80s) staple territory wool at Boston averaged 89 cents a pound scoured basis in the week ended July 3, compared with 75 cents a year earlier. Territory 56s averaged 77 cents the week ended July 3 and 62.5 cents a year earlier. Prices of domestic wool at Boston have shown little change since the end of May. The United States average farm price of wool on June 15 was 27.8 cents a pound compared with 25.8 cents on May 15 and 19.8 cents on June 15, 1935.

The new domestic clip has moved out of growers' hands very rapidly in the last 2 months, and most of such wool has been sold, with only a small proportion consigned for later sale. It is reported that a considerable amount of the current clip is going directly to the mills. Arrivals of domestic wool at Boston usually reach a peak in July.

The decrease in the margin between prices of domestic and foreign wool since March has been accompanied by a sharp decline in imports of apparel wool into the United States. Imports for consumption were 7,052,000 pounds in May compared with 10,068,000 pounds in April and 13,667,000 pounds at the high point in March. Imports of apparel wool in the first 5 months of the year were 52,729,000 pounds, and imports of carpet wool were 54,343,000 pounds. In the same months of 1935, imports of apparel wool were 8,178,000 pounds and imports of carpet wool were 56,894,000 pounds.

After declining from October to April, United States mill consumption of apparel class wool, corrected for seasonal changes, showed a slight increase from April to May. The rate of consumption for May, however, was about 30 percent smaller than in May 1935. Consumption on a grease basis in the first 5 months of this year was about 13 percent smaller than in the

same months of 1935. The decline is somewhat smaller in clean wool equivalent, owing to the greater consumption of light shrinkage foreign wool this year compared with last year. It seems fairly certain that mill consumption for the year 1936 will be considerably below the high consumption of last year.

A gradual slowing down was evident in the wool industry of the United Kingdom in May and the early part of June, but consumption was reported to be quite satisfactory for this season of the year. A rather general lull was reported in wool textile mill activity on the Continent during May and June. The growing shortage of raw material supplies in Germany and Italy, with political and social unrest and economic uncertainty in France and Belgium, have combined to slow up business and to bring about decreases in manufacturing activity in these four important wool-processing countries.

The preliminary estimate of 1936 wool production in Australia recently released by the National Council of Wool Selling Brokers and Growers does not alter the previous estimate that 1936 world wool production will show little change from that of 1935. The preshearing estimate for Australia does not show much change from the estimate of last year, and little change seems probable in the United States and Canada. Small increases are likely in the Union of South Africa, Argentina, New Zealand, Europe, and countries of the Near East.

The carry-over of wool into the new season in Southern Hemisphere countries will show a material reduction compared with a year ago. The greatest reduction will be in the carry-over of crossbred wool in New Zealand, but there is also a reduction in stocks of merino wool in Southern Hemisphere countries.

COTTON

Cotton prices were decidedly strong throughout June and the first part of July. Domestic mill activity continues to run at a high level, with a general improvement in mill positions with respect to stocks, unfilled orders, and sales. Foreign mill activity in general is still on a fairly high level, although conditions on the Continent are less favorable and British conditions slightly more favorable than a month ago. The area in cultivation in the United States on July 1 was less than 10 percent more than the area planted on the same date last year.

The price of Middling spot cotton at the 10 markets advanced from an average of 11.73 and 11.76 cents for the weeks ended June 6 and 13, respectively, to an average of 13.01 cents for the week ended July 11. The highest daily price so far this season was 13.42 cents on July 10. The average for the month of June was 11.96 cents, compared with 11.56 in May and 11.97 in June 1935. The continued high level of world consumption of American cotton relative to last year, the comparatively small supply of cotton in private hands, the reduction in stocks of Government-financed cotton, and the belief held by the trade that the coming crop probably will show only a moderate increase over the crop of this last season have been important price-strengthening factors.

The Crop Reporting Board reports an area of cotton in cultivation on July 1, 1936 of 30,621,000 acres compared with 27,888,000 last season, an increase of 9.8 percent. Among the major producing States Texas showed the largest increase, the area planted to cotton increasing from 10,964,000 to 12,280,000 acres or 12 percent. Generally speaking, the smallest percentage increases in acreage took place in the Atlantic seaboard States.

Assuming the 10-year average abandonment of 2.3 percent of planted acreage, the acreage in cultivation on July 1 of 30,621,000 acres, with a yield per acre equal to the highest for the last 10 years, would result in a crop of about 13,626,000 bales of 500 pounds gross weight. With a yield equal to the lowest in the last 10 years the crop would amount to 10,064,000 bales, and with 1931-35 average yields to 12,242,000 bales.

The Commodity Credit Corporation announced at the beginning of the present month that it would permit borrowing growers to repossess additional cotton in the Loan stock up to July 20 on the basis of 25 points less than the average price of Middling 7/8-inch cotton at the 10 markets, except that no cotton on which growers borrowed 12 cents would be released for less than 12.25 cents. It has been the belief of the trade that only a small amount of cotton would be released under this plan. This belief is held because, with prices in country markets bearing the relation that they do to the average of the 10 central spot markets, the repossession basis of 25 points less than the 10-market average automatically restricts sales to cotton that is of relatively high value because of quality, location, or both. Such cotton for the most part was sold out of the Loan stock in the course of the initial sales of about 1,000,000 bales. Furthermore, with the spot basis relatively high in terms of new crop futures and the movement of the new crop only a few weeks away, merchants and spinners would not be expected to accumulate cotton much beyond their immediate needs.

The domestic cotton textile industry has shown general improvement during the last 6 weeks. Mill sales of goods have been above current output, and prices have advanced with increases in the price of raw cotton. Since July the booking of orders has been especially heavy on print cloths and carded broadcloths, but, according to trade reports, the last 6 weeks as a whole have seen an improvement in the sale of heavy industrial fabrics, the demand for which was very severely reduced by the depression and which call for large quantities of cotton.

The New York Cotton Exchange Service index of cotton manufacturing in this country shows textile activity to be running above the 1922-27 average. Mill consumption in June amounted to 556,000 bales compared with 384,000 bales last year, according to the Bureau of the Census. Consumption in the first 11 months of this season amounted to 5,737,000 bales, an increase of 16 percent over the consumption of 4,970,000 bales in the same period last year.

Mill activity in foreign countries continues to run at a fairly high level, but conditions do not seem to be as favorable as a month ago. Mill activity is still comparatively high in Great Britain, and yarn sales are reported to be running in excess of current output. On the Continent, however, with political conditions unsettled, French and Belgian mills are

experiencing labor troubles. The Italian cotton industry is suffering from loss of foreign markets and lack of raw cotton supplies. Reports from Japan indicate an unfavorable position with respect to orders and sales, but cotton consumption during recent months has been well up toward the record consumption during the same months last year. Forwardings of American cotton to foreign mills in recent weeks have been less than forwardings during the same weeks last year. The tendency during recent months for prices of American cotton to advance more rapidly than most foreign growths is no doubt partly responsible for the decrease in the forwardings of American cotton.

Exports of American cotton were 287,000 bales in June compared with 345,000 bales in June of last year. Exports during the first 11 months of the present season were 5,806,000 bales compared with 4,519,000 bales in the same 11 months last year. Factors unfavorable to exports at the present time and in the immediate future are the imposition by Italy of new restrictions on the importation of cotton, a barter agreement between Germany and Brazil for the supply of 200,000 bales of cotton to Germany, and an increased interest in Brazilian cotton shown by Japan.

Business statistics relating to domestic demand

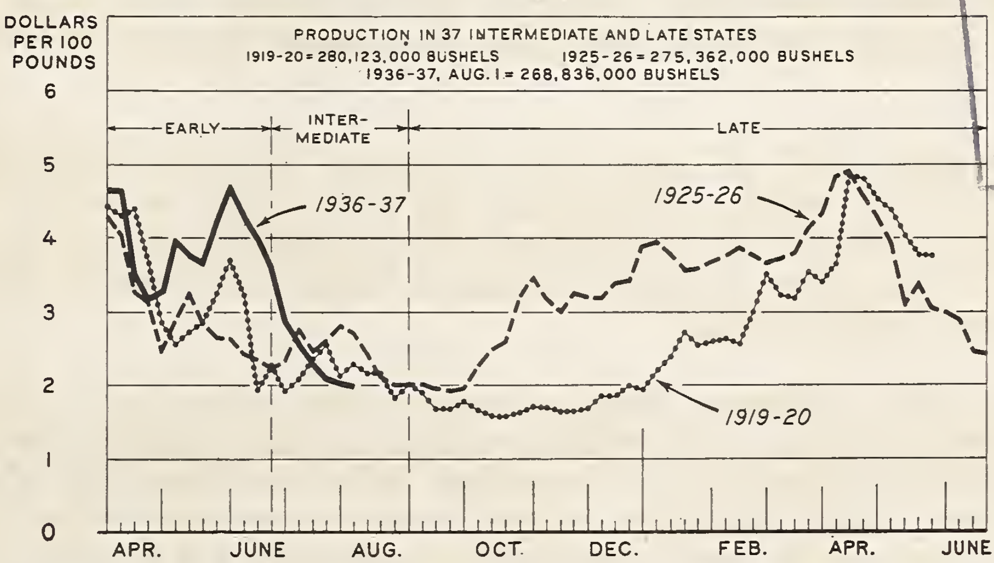
Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 2/: 1910-14 = 100	Commodity prices: United States: Wholesale 2/: 1926 = 100	Commodity prices: Foreign 4/: In foreign currency: 1926 = 100	Interest rates in percent 5/	Industrial stock prices in dollars 6/
	1923-25 = 100								
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	106	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	97	4.01	176
1928	111	102	99	149	141	97	97	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	83	3.56	236
1931	81	68	77	87	107	73	73	2.58	139
1932	64	46	64	65	95	65	69	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935-									
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	70	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	75	85	109	118	80	73	.75	135
Nov.	98	74	85	108	118	81	74	.75	144
Dec.	104	77	85	110	118	81	74	.75	142
1936-									
Jan.	98	72	83	109	118	81	74	.75	146
Feb.	94	72	83	109	118	81	74	.75	152
Mar.	93	76	84	104	116	80	74	.75	156
Apr.	100	78	85	105	116	80	74	.75	156
May	101	79	86	103	115	79	74	.75	149
June				107	115	79		.75	155

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Harvard Economic Service, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

The PRICE SITUATION AUGUST 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON

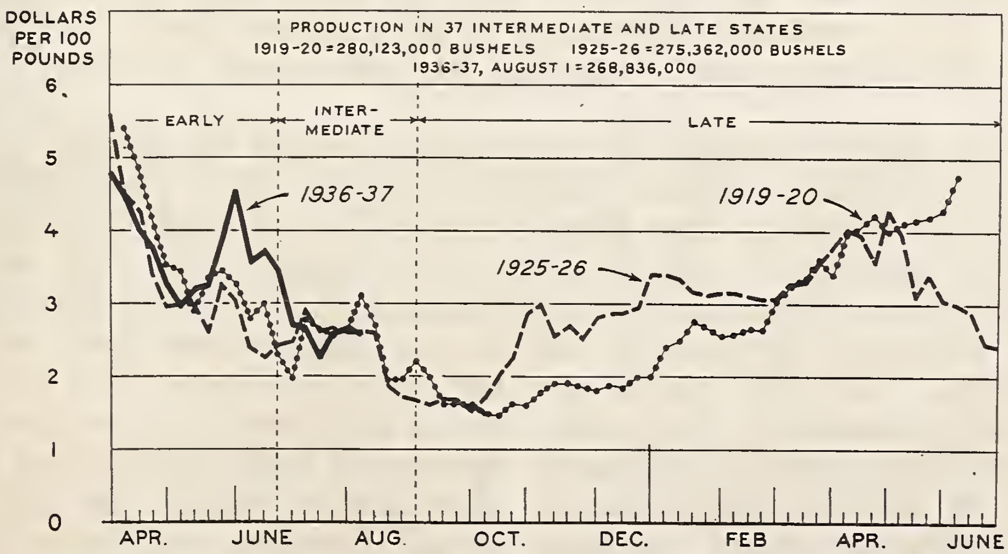
POTATOES, U. S. NO. I (EXCLUSIVE OF RUSSET BURBANKS): ADJUSTED L.C.L. PRICE AT NEW YORK, 1919-20, 1925-26, AND 1936-37 *



*ADJUSTED FOR CHANGES IN B.L.S. INDEX NUMBERS OF WHOLESALE FOOD PRICES, (JULY 1935 - JUNE 1936 = 100)

U. S. DEPARTMENT OF AGRICULTURE NEG. 31607 BUREAU OF AGRICULTURAL ECONOMICS

POTATOES, U. S. NO. I (EXCLUSIVE OF RUSSET BURBANKS): ADJUSTED CARLOT PRICE AT CHICAGO, 1919-20, 1925-26, AND 1936-37*



*ADJUSTED FOR CHANGES IN B.L.S. INDEX NUMBERS OF WHOLESALE FOOD PRICES (JULY 1935 - JUNE 1936 = 100)

U. S. DEPARTMENT OF AGRICULTURE NEG. 31606 BUREAU OF AGRICULTURAL ECONOMICS

IN PREVIOUS YEARS WHEN THE SIZE OF THE POTATO CROP IN THE 37 INTERMEDIATE AND LATE STATES WAS SIMILAR TO THE ONE INDICATED FOR THIS YEAR, ADJUSTED WHOLESALE PRICES AT MARKET CENTERS ROSE SHARPLY FROM THE SEASONAL LOW POINT IN SEPTEMBER OR OCTOBER TO A PEAK IN APRIL OF THE FOLLOWING YEAR.

FARM PRICES

Preliminary indications are that farm income during the last 2 months has shown a marked increase over the corresponding period of 1935. A part of the increase in income, particularly in July, has been due to forced sales of livestock in the drought area, owing to shortage of feed. As in 1934, the drought has resulted in a considerable advance in prices of farm products toward the end of the marketing period for 1935 crops. As the new crops begin to move to market, however, it is likely that income from farm marketings will increase less than seasonally, the same as in 1934, when the adjusted index of farm income declined from 73 in July to 54.5 in January 1935 (August 1909-July 1914 = 100). However, in view of the increased demand for farm products, it is likely that farm income for the last 6 months of 1936 will continue to exceed that of the same period last year.

The general level of farm prices appears to have advanced considerably during the last month, continuing the rise which began in May. Extremely sharp advances in the prices of all grains and dairy products have much more than offset slight declines which occurred in the prices of livestock, wool, and cotton.

Wheat prices advanced sharply during the latter part of July and early August owing largely to deterioration in the Canadian crop. Although the current year's production is somewhat below the domestic utilization of the past 2 years, total domestic supplies will more than take care of usual domestic requirements of soft red, white, and hard red winter wheat. However, supplies of hard red spring and durum wheat will be below our normal minimum milling needs. The extremely hot weather and drought conditions which prevailed during July over the entire Corn Belt, reduced corn prospects to the smallest crop harvested in this country in more than 50 years. Feed grain prices advanced sharply in July as a result of this deterioration in the corn crop, and, until the final outturn of feed crops can be determined, corn prices will tend to fluctuate within rather wide limits. The usual seasonal recession from a summer peak is expected to be much less than usual this year, and may not occur at all.

In early August prices of the better grades of medium weight butcher hogs were at the highest levels reached thus far this year, but prices of heavy hogs and of packing sows were somewhat lower than the highest prices for these kinds paid late last winter. The tendency to sell off brood sows and to market 1936 spring pigs early because of feed shortage may prevent much further seasonal advance in hog prices this summer and may cause the seasonal decline this fall to be greater than average. The decline in hog prices this fall, however, is likely to be followed by a marked seasonal advance in the late winter and early spring of next year, when marketings are expected to be relatively small. Hog prices during the 1936-37 year probably will average about the same as in 1935-36, but seasonal changes in prices are expected to be somewhat different. Farm prices of cattle and veal calves declined slightly from June 15 to July 15, but market prices of most grades of slaughter cattle were generally steady during most of July

at the levels reached at the end of June. Late in July and early August, however, there was a rather sharp decline in prices of low grade slaughter cattle owing to the heavy movement of this kind from the drought area. Marked declines occurred in both farm and market prices of lambs during the last month. There has been a relatively small slaughter of lambs to August 1, despite a relatively large lamb crop. This is owing to the generally poor development of the early lambs in many states, caused by early unfavorable weather and poor pastures in June and July. The quality of the 1936 lambs marketed to August 1 has been generally below average.

Butter and cheese prices have shown a considerable advance during the last month. Butter production has been curtailed by the drought, and, with the shortage of feed supplies in prospect, will probably continue at a low level during the remainder of the pasture season and coming winter. Production of cheese has been unusually high and stocks are large, but cheese prices have remained high owing to the outlook for relatively light production of milk during the remainder of the year and the early part of 1937 and an improvement in demand for dairy products.

Crop conditions as of August 1 indicate a late potato crop about as small as the extremely short crops of 1925 and 1919. With such a small crop in prospect, and with demand conditions improved over those of last year, the prospects are for potato prices to average much higher this season than they have for any season since 1925-26.

The drought retarded the growth of vegetables for canning during July and, consequently, the prospective production has been curtailed sharply. Wholesale prices of most canned vegetables rose sharply during June and July and are now considerably higher than at this time a year ago. With the exception of pears and citrus fruit, fruits in general have suffered materially from late spring frosts and to some extent from lack of rain during the summer. Consequently, a rather small production is anticipated, with accompanying advances in farm prices.

The index of prices received by farmers in mid-July was 115 percent of the pre-war average, compared with 107 in June and 102 in July 1935. Prices paid by farmers in July were probably slightly higher than in June, or about 123 percent of the pre-war average. This compares with 126 for July 1935. The advance in prices of farm products more than offset this rise in prices paid by farmers, and the ratio of prices received to prices paid increased from 89 in June to 93 in July, compared with 81 in July 1935.

WHOLESALE PRICES

The general level of wholesale prices at more than 118 percent of the 1910-14 average in early August, was 4 percent above the recent low point in May, and at the highest level in nearly 6 years. Most of the increase since May was due to a rise of 12 percent in prices of farm products, and of 7 percent in prices of foods. The sharp advances in recent weeks in prices of wheat, flour, feed grains and dairy products reflected the persistence of the drought. Grain prices alone have risen 45 percent since May, and dairy products have advanced 17 percent.

Prices of commodities, other than farm products and foods combined, have advanced in recent weeks to 118 percent of the pre-war level, the highest since December 1930. Since early June an upward trend has been apparent in prices of textiles, metals, building materials, chemicals and drugs, and miscellaneous commodities, whereas prices of hides and leather products, fuel and lighting materials, and house furnishings have fluctuated within a narrow range. An outstanding example of the rise of metals prices is that of export copper, which has advanced sharply since early August, due in part to an increased demand in foreign countries for rearmament purposes.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products (base period of each series 1910-14) rose to 91.7 in June, the highest since February and the highest June average in 6 years.

The movement of wholesale prices in the major foreign countries was generally upward in July. Prices in England have risen steadily since early June and are now at the highest level since December 1930. Prices in France have reached the highest point in over 2 years.

Prices in Germany continued to climb slowly, reaching a new level in July, the highest since November 1931. Government price regulations in Germany which now apply to nearly all foodstuffs and raw materials as well as to most manufactured goods have tended to modify the price rise. During the last 3 years prices of agricultural products in Germany have risen about 25 percent, whereas prices of industrial goods have advanced approximately 7 percent. Prices in Canada continue to move upward from the low point in late May. Prices in the Netherlands have also risen since May, with noticeable increases in prices of foodstuffs, particularly cheese. Prices in China continue upward, and prices in Japan have in general moved upward since the low point of the year in March.

The combined index of wholesale prices in the currencies of seven foreign countries which are important markets for American farm products, advanced in June to 75 percent of the 1926 average, with all seven countries showing increases over prices for May.

BUSINESS CONDITIONS

Preliminary reports indicate that incomes of industrial workers in July were nearly 20 percent above July a year ago, and, with relatively high levels of industrial activity in prospect, will undoubtedly continue somewhat above last year during the remainder of 1936. This higher level of urban incomes is resulting in an increased demand for farm products and the level of income from farm marketings during the remainder of 1936 is likely to remain somewhat above that of a year ago, in spite of the marked curtailment in agricultural output due to the drought. While the drought will no doubt have some affect upon industrial activity in those industries supplying farmers with industrial products and upon the volume of trade and transportation in the drought-stricken area, the general level of industrial activity in July continued at about the same levels as in June instead of making the usual seasonal decline, and, after seasonal adjustment, was at the highest level since the early months of 1930. The continued high level of automobile sales, large orders for fall merchandise and extensive demand for steel products by the railroad equipment, pipe line, and miscellaneous industries all point to a relatively high level of industrial output during the fall months.

The high level of demand for steel products, automobiles, and cotton textiles has been an important factor in maintaining industrial activity during the summer months. Steel mill activity has continued at slightly above 70 percent of capacity since May instead of making the usual seasonal decline. The present backlog of orders for steel products indicates a continuance of a fairly high level of activity during the fall months. Automobile output has been maintained by the unusually high level of retail sales in the last 2 months. While automobile production declined sharply the first week in August, it now appears that the period of shutting down to prepare for new models will be much shorter this year than a year ago. Textile activity in both cotton and rayon mills continued at an unusually high level during July. The output of durable consumers' goods other than automobiles has also continued at high levels in response to the marked improvement in sales.

Retail sales in July continued the upward trend of recent months. The Federal Reserve System's seasonally adjusted index of department store sales was 91 percent of the 1923-25 average in July compared with 88 in June and 80 in July 1935, and was the highest for any month since July 1931. Preliminary indications are that automobile sales declined less than seasonally from June to July and were largest for the month since 1929. The seasonally adjusted indices of retail sales in rural areas and of variety store sales in July also were at the highest levels since 1929.

In response to the higher levels of industrial output and trade, electric power production continues to exceed last year by a large margin and freight car loadings in recent weeks have exceeded that of the same time last year by more than 20 percent. The earnings of class 1 railroads during the first 6 months of 1936 were the highest since 1930 and have been accompanied by increased orders for railway equipment. New freight car orders during the first 6 months of 1936 were the highest for that period since 1929.

Building contracts awarded increased sharply in the first half of July after making about the usual seasonal changes from March to June. The marked improvement in electric power production is being accompanied by an increasing amount of construction by this industry and the volume of contracts awarded for public works and utility projects in June and early July were nearly three times as large as a year earlier. Residential contracts awarded continued to increase more than seasonally through June but "all other" types of building have declined more than seasonally in recent months.

Business conditions in foreign countries have been irregular in recent months. Industrial activity in Great Britain in June was at new record levels due largely to the high level of building and extensive rearmament program in that country. Industrial activity in Scandinavian countries was also at relatively high levels and industrial production in Germany increased more than seasonally from April to May. In France the labor strikes have been largely settled but the level of business activity has as yet shown no improvement since April. In Holland business conditions continue at low levels and unemployment in the first quarter of the year was above a year ago. Industrial activity in Japan declined slightly from March to April. Imports into Japan from January to June 1936 were 11.4 percent above the same period in 1935 whereas exports were only 3.4 percent higher. Tariff barriers in Australia and Canada have tended to restrict Japan's trade with those countries. China's trade balance has continued the improvement of the past several months.

WHEAT

Wheat prices advanced sharply during the latter part of July and early August owing largely to deterioration of the crop in Canada. United States wheat prices may be expected to continue to be influenced by the same factors which influence prices at Winnipeg and Liverpool. During 1936-37 domestic prices will probably average about as high relative to Liverpool as in 1935-36, when the price of No. 2 Hard Winter at Kansas City averaged 15 cents over parcels at Liverpool. The spread between these two markets is currently somewhat less than a year ago, however, owing largely to relatively larger early supplies of hard winter wheat on the domestic market this year, and higher quality wheat at Liverpool. The advanced stage of the season in the Northern Hemisphere permits a better appraisal of supplies than is usual at this time, and it appears that world prices may continue near existing levels for the present at least. Later, Southern Hemisphere crop prospects will become a major price factor.

The average United States farm price of wheat for July 15 was 94.4 cents per bushel compared with 80.6 cents a month earlier and 76.4 cents in July 1935. In mid-June wheat prices were adjusting down to a shipping differential under Liverpool because it was then expected that the United States would have a large enough surplus to be on an export basis. However, as drought conditions began to reduce spring wheat crop prospects, prices strengthened and, as conditions grew worse, they registered the sharpest gains in recent years. The weekly average price of all classes and grades of wheat rose 40 cents from the low point in the middle of May to early August.

The current year's wheat production in the United States, based on August 1 condition, was officially estimated to be 633,000,000 bushels, which is somewhat below the domestic utilization of the past 2 years, but above the 5-year (1923-27) average. In 1935-36 domestic disappearance amounted to 655,000,000 bushels and in 1934-35 to 661,000,000 bushels, while the 5-year average was 620,000,000 bushels. With carry-over stocks on July 1, 1936 estimated at 150,000,000 bushels, total supplies for the 1936-37 year are indicated to be about 783,000,000 bushels.

Domestic supplies will more than take care of usual domestic requirements of soft red, white, and hard red winter wheat, but supplies of hard red spring and durum will again be below our normal minimum milling needs. In spite of an increase of about 6 percent in the seeded acreage, production of these two classes of wheat was small owing to the drought, which reached its greatest intensity in the hard red spring wheat and durum area. The domestic winter wheat crop is materially larger than last year and is of good quality, and good yields are in prospect in the Pacific Northwest. It is probable that spring wheat mills in the 1936-37 season will use a larger percentage of hard red winter and Pacific Northwest wheat than last year. A larger than usual quantity of soft red winter wheat is also likely to be used in bread flour. Accordingly, the quantity of full-duty bread wheat to be imported in 1936-37 is expected to be less than imported in 1935-36. In the case of durum wheat, which is used in the manufacture of macaroni and related products, substitution of other kinds of wheat is unsatisfactory, and the short supplies available will undoubtedly result in some increase in the imports of such wheat. The probable reduction in imports of full-duty hard red spring wheat, however, should more than offset the increase in durum imports and result in total imports of these two types less than last year. On the other hand, as the result of a greatly reduced corn crop, some increase in the demand for wheat "unfit for human consumption", which classification pays a duty of 10 percent ad valorem, may be expected. Any increase in the use of such wheat together with the feeding of domestic light weight wheat, a considerable quantity of which was carried over from last year's rust-damaged crop, should result in a somewhat larger total wheat utilization in 1936-37 than in 1935-36.

During the 1935-36 season, total imports of wheat and flour in terms of wheat amounted to 35,000,000 bushels and exports and shipments to 7,000,000 bushels, resulting in net imports of 28,000,000 bushels, or 4 percent of utilization. Of the total imports, about 26,000,000 bushels were of milling wheat, and 9,000,000 bushels of wheat "unfit for human consumption". Imports were necessary in 1935-36 because drought curtailed the acreage and reduced the yields of the hard red winter crop while rust reduced the production of spring wheat.

Supplies east of the Rocky Mountains are again smaller than domestic requirements, while those in the far western group of States are about average. Prices, accordingly, are expected to continue to be relatively higher in central western markets than in the Pacific Northwest. With imported wheat coming from Canada, the price of hard red spring wheat during the 1936-37 season, at least until the new crop prospects become the dominant price factor, will continue to be influenced largely by factors which also influence the price in Canada, with prices of other classes also affected in varying degrees. The price of hard red winter wheat will benefit most because such wheat can be substituted directly for hard spring, whereas in the case of soft wheats, only limited quantities can be substituted for hard wheat in the manufacture of flour for commercial bread baking. However, while soft wheat supplies even during the last 2 years have been ample for domestic needs, prices of such wheat have also benefited considerably by the shortage of hard wheats because of the increased demand.

Winter wheat farmers who are now making their sowing plans are concerned with prospects in 1937-38. It is significant to note that the four short wheat crops which we have just experienced, are primarily the result of extremely low yields per acre rather than to a reduction in acreage. In fact, the acreage seeded to wheat for the 1936 crop was the second largest on record, and seedings as large for the 1937 crop would produce enough wheat for average domestic utilization even if yields per acre should turn out to be one-fourth below average. Stated another way, on the basis of the 1925-34 average yield per seeded acre (11.8) bushels, an acreage in excess of 60,000,000 acres would probably result in a surplus available for export. The area planted for harvest in 1936 is estimated at 74,000,000 acres. With the likelihood of an acreage considerably larger than 60,000,000 acres, average yields in 1937 would result in United States prices being lower relative to Liverpool than they have been in the past 3 years, and it is altogether possible that they might result in farm prices in the United States averaging about 20 to 30 cents below what they would if we continued on a domestic or import basis. Under these conditions the price of hard red spring wheat and durum would tend to drop more, and soft white wheat less, than this average range. The decline in prices of soft red and hard red winter wheat would probably be within the range of 20 to 30 cents.

CORN AND OTHER FEED CROPS

Feed grain prices advanced sharply in July as a result of the marked deterioration of the corn crop. Until the final outturn of feed crops, and possibilities and effects of various feeding adjustments made necessary by short feed supplies can be determined, corn prices will tend to fluctuate within rather wide limits. With the movement of the new crop, there may be some recession from a summer peak, but this seasonal decline is expected to be much less than usual, owing to the extreme shortage of feed, and may not occur at all.

The United States average farm price of corn as of July 15 was 80.2 cents per bushel compared with 61.3 cents a month earlier and 82.4 cents in July 1934. The averages for oats and barley for July were 35.3 cents and 56.1 cents and for June 24.3 cents and 37.0 cents, respectively. Feed grain prices have been rising since late May and early June, with the advance gradual until the first of July when prices rose sharply. Corn continued to rise abruptly until early August, but barley and oats weakened after about the first week in July and did not follow the corn advance again until late in the month. The price of corn in five markets for the week ended August 8 averaged 111.3 cents per bushel compared with 68.0 cents for the week ended July 4. For the same 2 weeks No. 3 White oats at Chicago averaged 44.0 cents compared with 32.1 cents, and No. 3 barley at Minneapolis 103.9 cents compared with 71.8 cents.

The recent advance in domestic corn prices has resulted in relatively heavy purchases of Argentine corn. The Commercial Attaché at Buenos Aires reported sales of around 12,000,000 bushels to United States firms during July. At the close of last week Argentine corn for September and later shipment was quoted at 95 cents per bushel for fair average quality, c.i.f. duty paid. Argentina is by far the most important source of our corn imports and the 1936 harvest in that country is one of the largest on record.

Largely as the result of high corn prices, the rate of decrease in stocks of corn at commercial centers has become relatively small. Commercial stocks of oats increased with the arrival of grain from the new crop from 31,100,000 bushels the second week in July to 45,500,000 bushels the second week in August, while barley increased from 9,200,000 bushels the latter part of July to 10,800,000 bushels the second week in August.

As a result of the decline in crop prospects during July there will be a shortage of grain that will necessitate rather heavy marketings of grain-consuming livestock and a reduction in the grain ration of the livestock wintered. In a fourth of the States, pastures were the poorest on record for August 1, and for the country as a whole they were almost as poor as in August 1934. This has necessitated a heavy summer feeding of hay and forage and is causing a severe shortage of roughage in the Northern Great Plains area and threatens to cause shortages elsewhere, the outlook depending primarily on how soon the drought is broken.

The extremely hot weather and drought reduced prospects for corn to 1,439,135,000 bushels. This would be about 2.6 percent less than the short crop of 1934 and the smallest corn crop harvest in this country in more than 50 years. It would be only about 56 percent of average production. With the production of oats forecast at about 772,000,000 bushels, barley at 145,000,000 bushels and grain sorghum at 81,600,000 bushels, all very light crops, the total production of the four feed grains is expected to total only about 58,000,000 tons. This would be 8 percent more than the final harvest of 1934, but about 31 percent less than production in any other recent year and 42 percent less than the 1923-32 average.

Prospects for hay are relatively much better. Allowing for first cuttings already harvested and assuming the usual progressive relief of the drought, production is forecast at nearly 69,000,000 tons compared with 87,000,000 tons last year and the short crop of 58,000,000 tons in 1934. Considering the rather large quantity of old hay on hand and the probability that available supplies will be rather closely utilized, the quantity fed is expected to be about equal to the average quantity fed during the last 6 years, a period of short supplies. However, in some areas, principally in the western part of North Dakota and South Dakota, eastern Montana and the northeast corner of Wyoming, hay supplies are seriously short, and over a wide area pastures are so short that farmers are being compelled to feed hay that may be badly needed next winter.

In comparison with 1934, the available supply of feed grains (production adjusted for carry-over and feed wheat) is expected to be about 5 percent greater, whereas the number of grain consuming units of livestock and poultry on farms on August 1 this year was about 3 percent less than on August 1, 1934. Available hay supplies appear to be about 20 percent greater and the number of hay-consuming animals 9 percent less this year than in 1934.

APPLES

Owing to the small apple crop indicated for this year, prices generally are expected to average much higher than in any year since 1929. Prices of apples may be expected to decline seasonally during the next two months, and then experience more than the usual seasonal advance to a high point at the end of the present marketing season. Based upon August 1 crop conditions, it appears that the United States crop-year average farm price may be nearly twice as high as that of the 1935-36 season.

Although apple prices are expected to be much higher this season than in 1935-36, at the present level of demand they probably will not be high enough to offset the reduction in total supplies and, therefore, it is likely that the total farm income from apple production this season will be less than that of last season.

Based upon August 1 condition, the United States total apple crop is indicated to be 102,487,000 bushels, compared with 167,283,000 bushels produced in 1935 and 161,333,000 bushels, the 1928-32 average. The indicated 1936 crop is the smallest since 1921. Production this year is below that of last year in nearly every state. The crop in the Atlantic Coast States is forecast at 39,615,000 bushels, against 69,558,000 last season. In the Central States, including both North and South Central, production is expected to total 16,568,000 bushels, compared with 44,268,000 in 1935, and in the West it is 46,304,000 bushels, against 53,457,000 bushels in 1935.

The commercial apple crop (destined for market as fresh fruit) is indicated at 64,500,000 bushels, or almost one-third less than that of last season, which was nearly equal to the average for 1928-32. The commercial apple crop in 1921 totaled 66,374,000 bushels, or little more than is expected this season.

Prices of eastern early apples in wholesale markets averaged about $1.19 per bushel during the first week of August, compared with $1.17 a month earlier and 82 cents a year ago. At Chicago, apples from nearby sources averaged $1.06 the first week of August, against $1.50 a month ago and $1.00 a year ago. On the auction market at New York, California fancy Gravensteins averaged $2.32 per box during early August, compared with $1.68 in the first week of August 1935 and $1.57 the average for the 1935-36 season. At Chicago, the auction prices for this variety averaged $1.99 per box in the early part of August this year against $1.60 a year ago and $1.50 the 1935 season average.

The United States farm price of apples on July 15 averaged 94.3 cents per bushel, compared with $1.07 on June 15, 1936, the season high point for 1935-36. On July 15 last year the average was 96.4 cents per bushel, and the July average for 1910-14 is 86.3 cents.

Only slightly more than 200 cars of apples were shipped by rail or boat during the first full week of August this season, chiefly from northern California, Michigan and West Virginia. For the same week last season the output by rail and boat totaled 385 cars. Total shipments to August 8 this year were about 1,730 cars, compared with 2,145 to the same time last season. Most of the apples marketed at this time of the year are moved by auto truck, and, therefore, the carlot movement is not a good indication of the total volume of marketings.

CANNED VEGETABLES

The drought retarded the growth of vegetables for canning during July and, consequently, the prospective production has been curtailed sharply. Whereas the total supply of the principal canned vegetables for 1936-37 appeared on July 1 to be slightly more than 104,000,000 cases and only slightly below the total supply for 1935-36, by August 1 it declined to 93,000,000 cases. On the basis of August 1 conditions, the total supply of canned vegetables is expected to be 12 percent less than the large supply in 1935-36, but 16 percent above that for 1934-35 and 28 percent above that for 1933-34.

Consumer purchasing power has increased sharply in the last 3 years, and if it continues to improve through the 1936-37 season, the quantity of canned vegetables moving into consumption will tend to increase. With the total supply less than in 1935-36 and with consumer purchasing power increased, the prospect is for prices of canned vegetables in general to advance during the coming marketing season. This is especially true, if the pack is further curtailed by the drought.

The yields of snap beans, beets, sweet corn, and peas has been curtailed by drought this summer and the prospects are that the pack of each of these canning vegetables will be reduced considerably below the large packs in 1935. On the other hand, the prospects are for a larger than normal pack of spinach, tomatoes, tomato juice, and lima beans.

Wholesale prices of most canned vegetables rose sharply during June and July and are now considerably higher than at this time a year ago. Canned snap beans were quoted in the East at 80-85 cents per dozen standard No. 2 cans during early August, compared with 67½ cents in January and 57½-60 cents a year ago. Cream-style canned corn was quoted at 80-90 cents per dozen in early August, or about the same as a year ago. In May and June, when a large pack was expected, the quotations were 65-67½ cents. Standard No. 4-sieve Alaska peas have risen from 65 cents per dozen No. 2 cans in May to 80-85 cents in early August. A year ago they were quoted at 70 cents. Canned spinach has risen from 70 cents per dozen in January to 85-95 cents in early August. Last year the price was quoted at 72½ cents. Standard tomatoes have advanced about 10 cents per dozen No. 2 cans in the last year to 70-75 cents, in spite of the fact that the pack is expected to be slightly larger than last year. Tomato juice has shown no change in price during the last year.

POTATOES

With the late potato crop deteriorating sharply during July, and with demand conditions improved over those of last year, the prospects are for potato prices to average much higher this season than they have for any season since 1925-26. Crop conditions as of August 1 indicate a late potato crop about as small as the extremely short crops of 1925 and 1919. In those years, when the price level was considerably higher than in this year, farm prices of potatoes averaged $1.66 and $1.91 per bushel, respectively. Based upon crop conditions as of August 1, the 1936-37 United States farm price is expected to average at least twice as high as for the 1935-36 season when it was about 70 cents per bushel, and perhaps three times the average farm price of 47 cents for the 1934-35 season. In the present season, as was the case in 1925-26 and 1919-20, potato prices are expected to decline to a seasonal low point in September or October, and then advance rather sharply to the next April.

Potato crop prospects declined sharply during July, and on August 1 production in the 30 late states was indicated to be only 244,253,000 bushels. This is 20,000,000 bushels below the July 1 forecast for these states; 75,000,000 bushels below the crop harvested in 1935, and is the smallest crop of late potatoes since 1919. For the United States as a whole the potato crop is indicated to be 294,537,000 bushels, or about 93,000,000 smaller than the 1935 crop and nearly 80,000,000 bushels below the 1928-32 average production. With the crop in the early and intermediate states also curtailed by drought, the total United States crop of potatoes will be nearly 3,000,000 bushels under the small crop of 1919 and the smallest since 1916.

The indicated production in the three Eastern surplus late States is 86,200,000 bushels (the same as forecasted in July), or about 6,000,000 less than in 1935 and 10,000,000 less than the 1928-32 average. In the five central surplus late-potato States the crop is indicated to be 52,945,000 bushels, or 45,000,000 bushels (46 percent) below the 1935 crop in these States and nearly 37,000,000 below their average production for 1928-32. The crop in the 10 Western surplus late States is forecast at 71,798,000 bushels, which would be 11,000,000 bushels less than in 1935 but about equal to their average production. Potato production in the 12 other late states is indicated at 33,310,000 bushels this year, or 13,000,000 below the crop of 1935.

Market prices of potatoes have shown a seasonal decline since early July. The general level for Cobblers in the Chicago car-lot market during early August was $2.50 per 100-pound sack, with Idaho Russet Burbanks as high as $3.00. This is slightly below the price range of a month ago, but compares with $1.12 for Cobblers and $2.00 for Idaho potatoes a year ago. The New York wholesale market recently reported Long Island and New Jersey Cobblers around $2.00 per 100-pound sack, compared with $2.55 in early July and about 77 cents at this time last year. The f.o.b. price at New Jersey shipping points had declined slightly to about $1.95 during early August, as against 70 cents a year ago. Shippers on Long Island were receiving

about $1.90 per 100 pounds, whereas at this time in 1935 the f.o.b. price was scarcely half that amount. The active season on the Eastern Shore of Maryland and Virginia closed with the best stock returning shippers around $2.00 per 100-pound sack, compared with $2.43 in early July and only 62 cents in early August of 1935.

On July 15 the United States average farm price of potatoes had reached the relatively high level of $1.41 per bushel, as against $1.37 at the middle of June, 52 cents a year ago, and an average of 81½ cents per bushel for July of 1910-1914.

Shipments of potatoes by rail and boat during the week ended August 8 totaled 3,415 cars, of which New Jersey furnished nearly half. Other active shipping States in the order of their importance were Idaho, California, Colorado, Washington, New York, Pennsylvania, and Utah. The week's movement was almost 60 percent heavier than that of the corresponding period last year. The season total to August 8 was about 51,120 cars, compared with 48,370 cars to the same time last season.

HOGS

Hog prices improved slightly during the second half of July, following the moderate decline earlier in the month. In early August prices of the better grades of medium weight butcher hogs were at the highest levels reached thus far this year, but prices of heavy hogs and of packing sows were somewhat lower than the highest prices paid for these kinds late last winter. Because of greatly reduced feed supplies resulting from the drought, there has been considerable liquidation recently of packing sows and of young hogs farrowed early this year. This liquidation is reflected in the relatively large slaughter of hogs in July compared with that in May and June, and in the sharp reduction in the average weights of hogs marketed.

Slaughter supplies during the remainder of 1936 are expected to be large in relation to the total number of hogs now in the country, and will be considerably larger than was indicated by conditions prevailing in June. The tendency to sell off brood sows and to market 1936 spring pigs early because of feed shortage may prevent much further seasonal advance in hog prices this summer and cause the seasonal decline this fall to be greater than average. Prices of light weight hogs will decline relatively more than those of other weights. The decline in hog prices this fall, however, is likely to be followed by a marked seasonal advance in the late winter and early spring of next year, when marketings are expected to be relatively small.

The weekly average price of hogs at Chicago declined from $10.12 per 100 pounds the first week in July to $9.42 the third week and then recovered to $9.91 in the closing week of the month. The average for the month was $9.76 compared with $9.88 in June, and $9.49 in July last year when the processing tax of $2.25 per 100 pounds was in effect. The spread between the prices of the better grades of butcher hogs and the

prices of packing sows widened as the proportion of sows increased and that of the others decreased.

Hog slaughter under Federal inspection during July totaling 2,692,000 head was only 1.7 percent less than that in June and was 57 percent larger than the very small slaughter of July last year. Slaughter in July ordinarily is very much smaller than that in June, but drought conditions this year over a large part of the important hog producing territory caused considerable liquidation of hogs that otherwise would have been retained for producing fall pigs or for sale later in the year. Short feed supplies are expected to cause marketings during the remainder of 1936 to be large in relation to the total number of pigs and hogs on hand on July 1. Average weights of hogs increased seasonally during July but the seasonal peak was reached somewhat earlier than usual. The average for the month at the seven principal markets was 258 pounds compared with 253 pounds in June and 254 pounds in July last year.

The hog-corn price ratio, based on Chicago prices, became less favorable during July, primarily because of the very sharp rise in corn prices. The ratio during the first week of August was 8.9, whereas a month earlier it was 14.8. For the month of July it was 11.4 as compared with 15.4 in June and 11.2 in July of the previous year.

Wholesale prices of fresh pork fluctuated sharply during July, declining during the first half of the month and rising during the second half. Highest prices for the month, however, were not as high as the best prices reached in May. Prices of cured hams and bacon changed relatively little during the month but those of lard and fat backs advanced sharply, apparently discounting somewhat the probability of short supplies of these products within the next 8 to 10 months.

Storage holdings of pork increased 7,000,000 pounds, or about 2 percent, during July and those of lard about 10,000,000 pounds, or about 9 percent. Ordinarily pork stocks are reduced during July whereas those of lard usually increase, the yearly peak in lard stocks often being reported on August 1. Stocks of pork on August 1, totaling 442,000,000 pounds, were 20 percent larger than those reported a year earlier but were 30 percent smaller than the 5-year average for that date. Lard stocks, totaling 117,000,000 pounds, were 71 percent larger than the very small stocks reported a year earlier but were 21 percent smaller than the 5-year average for August 1.

In the summer outlook report, released August 6 by the Bureau of Agricultural Economics, the Bureau states that the number of hogs for slaughter in the 1936-37 marketing year, beginning next October, probably will be from 10 to 20 percent larger than in the marketing years 1935-36 and 1934-35, when the totals were the smallest in many years. The indicated supplies for the 1936-37 year, however, are from 20 to 25 percent less than the average of the 5 years preceding 1934-35. The total for market in 1936-37 would have been further increased had not the 1936 drought greatly curtailed feed grain production and thereby compelled many hog raisers to change their 1936 fall farrowing plans. Average weights probably will be lighter than usual and about the same as in 1934-35, following the drought of 1934.

The seasonal distribution of marketings during the 1936-37 marketing year is likely to be much different from that of the present year. Current conditions indicate that hog slaughter during the 3 months, October to December 1936, will represent a larger than usual proportion of both the marketing year total and the winter total (October to March). The entire winter supply will be a larger than average proportion of the year's supply.

Hog prices during the 1936-37 year probably will average about the same as in 1935-36, but seasonal changes in prices are expected to be somewhat different. The seasonal decline this fall probably will be greater than that of last fall and the advance from the winter low is likely to be similar to the sharp rise which occurred in early 1935. Prices during the summer of 1937 probably will average higher than in the summer of 1936.

CATTLE

Prices of most grades of slaughter cattle were generally steady during most of July at the levels reached at the end of June. There was some weakness about the middle of the month, but all of the decline during this period was regained the following week. Late in July and early in August, however, as heavy runs of cattle came in from the drought areas, the market for low grade slaughter cattle weakened considerably and prices of these kind declined rather sharply. This resulted in buying of such kinds by the Surplus Commodity Corporation for Government account at a number of middle western markets, and this buying tended to support the market for such kinds. Prices of stocker and feeder cattle, on the other hand, tended to weaken during July as a result of sharply increased supplies and poor pastures and rapidly increasing prices of grains and roughage.

The average price of beef steers at Chicago for July was $8.13 compared with $7.86 in June and $9.80 in July 1935. Compared with June all grades were higher except common, but compared with July 1935 the average price of common showed the smallest decline of all grades. The monthly price of stocker and feeder steers at Chicago for July was $5.66, compared with $6.94 in June and $6.74 in July last year. The spread between beef steers and stocker and feeder steer prices, which in May and June was very narrow, widened sharply in July, but was still much smaller than in July 1935. Prices of veal calves fluctuated sharply during July, the top at Chicago dropping $2.00 between the beginning and middle of the month, but with half of the decline recovered by the end of the month. The July 15 average farm price of beef cattle was $5.71, compared with $5.99 June 15 and $6.20 in July 1935. The farm price of veal calves was $7.21 July 15 this year, compared with $7.46 in June and $6.75 in July 1935.

Cattle supplies continued large during July and tended to increase more than seasonally toward the end of the month. The shortage of feed of all kinds, resulting from the drought, tended to force cattle to market from an ever widening area. Receipts at seven leading markets were 39 percent larger than in July 1935 and 22 percent above the 5-year average. Inspected slaughter of 928,000 head was 25 percent larger than

in July 1935 and 28 percent above the 5-year July average and was the second largest commercial slaughter for the month on record. Inspected slaughter of calves was equal to the largest for the month on record. The number of beef steers at Chicago was 40 percent larger than for any other July in 5 years. The number of choice steers was twice as large as in July last year and the largest for the month since 1931.

The number of cattle on feed for market on August 1 was estimated by the Department of Agriculture as 3 percent larger than on August 1 a year earlier. This is a much smaller increase over a year earlier than was estimated April 1 or January 1 this year. Apparently many cattle that would have been marketed earlier were held back in the hopes of a substantial advance in the market. The sharply increased prices of feeds and shortage of pastures, however, was tending to force a rather heavy movement of these toward the end of July. The number of cattle put on feed during the remainder of this year is expected to be sharply reduced from a year earlier, and may be below the number in the corresponding period of the drought year of 1934. Corn supplies will be smaller than in 1934, especially in the Western Corn Belt. With hog prices substantially higher than in 1934, and the number of spring pigs larger than in that year, the demand for corn for hog feeding will be much stronger than in 1934 and a larger proportion of the available supply will go to finishing hogs.

Despite the poor pastures and advancing feed prices during July there was a heavy movement of stock cattle into the Corn Belt States both from markets and direct from the bad drought areas. Shipments from four leading markets were nearly two and one-half times as large as in July last year and were much larger than for any July in 10 years. The shipments this year included a very large proportion of calves and of cows and heifers. The number of the latter was nearly four times as large as in July last year. While large numbers of drought cattle went to market there was also a heavy movement of the better grades of stock cattle to pastures and ranges in other States. It is expected that there will be a continuing heavy movement of such cattle for several months, and, if August and September rains should bring good fall pastures in the Corn Belt, some recovery in prices may occur.

Supplies of fed cattle are expected to continue fairly heavy for 2 months more, but after the first of October they may fall off rather sharply. With a further improvement in consumer demand for meats there may be a rather sharp advance in the prices of better grade cattle during the last quarter of the year.

LAMBS

Prices of slaughter lambs recovered somewhat from the low level reached early in July. At the end of the month, the better grades were about 50 cents a hundred higher than at the beginning, but common lambs were 50 cents lower. The top on slaughter lambs at the end of the month was $10.75. Prices of slaughter ewes declined seasonally during July, but were at a somewhat higher level early in August this year than a year earlier.

Prices of feeder lambs also declined during the month, with the decrease largest for the lower grades. Compared with a year earlier prices of feeder lambs at Omaha early in August were about $1.00 higher. The average price of good and choice slaughter lambs at Chicago for July was $9.94 compared with $11.44 in June and $7.96 in July 1935. The farm price of lambs on July 15 was $7.94 compared with $8.33 June 15, and $6.24 July 15, 1935.

Market supplies of lambs in July continued small. Receipts at seven leading markets were 14 and 17 percent smaller than in July 1935 and the 5-year July average, respectively. Inspected slaughter of 1,352,000 head, was 13 percent smaller than the record July slaughter of last year and 5 percent below the 5-year July average. For the first 3 months, May to July of the 1936-37 lamb marketing season, slaughter was considerably smaller than last year and was below the 5-year average.

The 1936 lamb crop was estimated as 9 percent larger than that of 1935 and but very little smaller than the record lamb crop of 1931. All of the increase was in the Western Sheep States, as the native lamb crop was about 2 percent smaller than last year. Most of the increase in the Western lamb crop was in the late lambing states with over one-half of the increase in Texas.

The relatively small slaughter of lambs to August 1, despite the increased lamb crop, is a result of the generally poor development of the early lambs in many states, caused by early unfavorable weather and poor pastures in June and July. The quality of the 1936 lambs marketed to August 1 has been generally below average, with weights also below average.

A rather heavy movement of both slaughter and feeder lambs is expected during the next 4 months. While the demand for slaughter lambs will continue good, the demand for feeders, especially for light weight and poor conditioned kind, may be rather poor, as a result of the short supplies and high prices of feed grains and very poor pastures generally over the Corn Belt.

A considerable part of the feeder lambs in the Western Sheep States were contracted in May and June at prices that appear high in comparison with present market prices of feeder lambs. Quite a number of the lambs in the bad drought areas in Montana, Wyoming, and South Dakota were contracted early, but it is likely that a considerable proportion of these lambs may not make the contract minimum weights. In view of the feed situation and the relatively large number of feeder lambs available, it seems likely that there will be a fairly wide spread between the top prices of fat lambs and of feeder lambs during the next few months.

BUTTER

Butter production has been curtailed by the drought, and butter prices have increased sharply since the early part of the pasture season. The shortage of feed supplies in prospect indicates that butter production during the remainder of the pasture season and coming winter will probably be relatively low, and, with the low storage stocks on hand, total domestic supplies during the coming winter will be less than a year earlier and probably about as low as in 1934-35. Increased employment and greater

business activity indicate further improvement in demand. Even though butter prices have increased at a season of the year when there is usually some decline, a seasonal rise in prices from mid-summer to the end of the year is in prospect.

The price of 92-score butter at New York in July averaged 33.6 cents. This was 3.9 cents higher than a month earlier, and 9.7 cents higher than a year earlier, and the highest for the month since 1930. Ordinarily there is little seasonal change in prices from June to July. The rise this year was due primarily to the effects of the drought in curtailing production.

In mid-July the farm price of butterfat was 32.6 cents per pound. The price in mid-June was 27.7 and in July 1935 22.3 cents. The farm price of butterfat in mid-July was equivalent to the farm price of 24.9 pounds of feed grains compared to 17.6 pounds a year earlier, 19.6 pounds 2 years earlier, and the 15-year (1920-1934) July average of 25.2 pounds. In mid-July the relationship between the farm prices of butterfat and feed grains was about the same as the long-time average for the month. Butterfat prices, however, are low compared to hogs. This price relationship may encourage some farmers to curtail the feeding of their milk cows more than the feeding of their hogs.

Production of creamery butter in June of 187,000,000 pounds was 7 percent less than a year earlier, and except for 1934 was the lowest for the month since 1928. The increase in production from May to June was decidedly less than the usual seasonal increase. Reports from the centralizer territory indicate that production in July and August was decidedly less than a year earlier. Production during the coming winter probably will be considerably less than in the winter of 1935-36.

The trade output of butter in June of 133,500,000 pounds was 4 percent less than a year earlier. Trade output was relatively high compared with production because of the relatively small into-storage movement. The changes in trade output and retail prices indicate that consumer expenditures for butter in June were 8 percent higher than a year earlier and the highest for the month since 1930.

Storage stocks of butter on August 1 of 103,000,000 pounds were 46,000,000 pounds less than a year earlier and the lowest for that date in 13 years. The low level of stocks, together with prospects for lower production than a year earlier, indicate that domestic supplies during the winter months will be considerably smaller than a year ago.

During July the margin between 92-score butter at New York and New Zealand butter in London averaged 7.3 cents compared to 4.0 cents in July 1935. It is probable that before the winter is over the margin will widen to at least as much as the tariff rate of 14.0 cents.

CHEESE

Production of cheese has been unusually high and stocks are large, but prices have increased to the highest levels for the year. The outlook for relatively light production of milk during the remainder of the year and the early part of 1937, together with the improvement in demand, are the principal factors supporting the expectation of a seasonal rise in cheese prices during the remainder of the year. Cheese prices (twins) on the Wisconsin Cheese Exchange in July averaged 16.6 cents, this was 2.4 cents higher than a month earlier and the highest for the month since 1929. The decline in dairy production, because of the drought, resulted in a rise in prices at a season of the year when there is usually some decline.

While the drought has curtailed total milk production, there was little or no effect on cheese production up to July 1. Total production of cheese in June of 83,000,000 pounds was 11 percent higher than a year earlier and a new high for the month. The increase in production from May to June was somewhat greater than the usual seasonal increase. Relatively high prices for cheese compared with butter was probably the principal factor bringing about the change.

Trade output of cheese in June of 72,000,000 pounds was a new high for the month and was 22 percent larger than in June 1935. This change in trade output together with the increase in retail prices indicated that consumer expenditures for cheese were 26 percent higher than in June of the preceding year and the highest for the month since 1929. In view of the prospects for relatively light supplies of some protein foods during the coming winter it is probable that the demand for cheese will continue relatively high.

Imports of cheese in June were 4,300,000 pounds compared to 3,800,000 a year earlier. For the first 6 months of 1936 imports were about the same as in the corresponding period of 1935.

Cold storage stocks of American cheese on August 1 of 81,000,000 pounds compare with 82,000,000 pounds a year earlier and the 5-year average of 80,000,000 pounds.

POULTRY AND EGGS

Market prices for eggs continued to rise sharply throughout July and in early August. While receipts of eggs in July exceeded those of a year earlier, as they have for several months, the difference was smaller than before. Storage stocks of eggs, now near their seasonal peak, are much less than a year ago. Under these conditions a greater-than-seasonal rise in egg prices is in prospect.

The farm price of chickens followed the regular seasonal movement and declined slightly from June 15 to July 15. Poultry receipts are greatly exceeding those of a year earlier, and it is likely that they will continue to do so. Consequently, it is probable that there will be a greater than seasonal decline in poultry prices.

The market price of eggs (mid-western special packed) at New York averaged 26.9 cents per dozen in July, a cent below that of a year earlier. In late July, however, the price rose above that in 1935 and averaged 31.1 cents in the week ended August 8. The farm price of eggs rose from 18.9 cents on June 15 to 20.0 cents on July 15, which is 1.7 cents below that of July 15, 1935. The farm price of chickens declined from 16.4 cents on June 15 to 16.1 cents on July 15 but was still 2.1 cents above the price on July 15, 1935.

Receipts of eggs at the four markets in July were 1,173,000 cases as compared with 1,101,000 cases a year earlier and a 5-year average of 1,059,000 cases. The reduction in the difference between the receipts of

1936 and of 1935, which was roughly 200,000 cases per month in the period March-June, is largely due to the drought. Receipts in the rest of 1936 are not likely to exceed the relatively heavy receipts for this period of 1935.

Receipts of dressed poultry at the four markets in July were 22,300,000 pounds as compared with 18,200,000 pounds a year earlier and a 5-year average of 21,000,000 pounds. With an increase of 25 percent in the commercial hatch this year over that of a year earlier, poultry receipts during the remainder of 1936 will probably continue above those of 1935. The drought will accentuate this trend.

Storage stocks of case eggs were 7,334,000 cases on August 1 as compared with 7,947,000 cases a year ago and a 5-year average of 8,470,000 cases. More than any other circumstance, this will tend to maintain fall egg prices above those of 1935.

Storage stocks of frozen poultry were 49,300,000 pounds on August 1 as compared with 41,300,000 pounds a year ago and the 5-year average of 39,800,000 pounds. With stocks beginning their seasonal increase the larger quantities of poultry available this fall will probably make the peak storage stock (January 1 or February 1) greater than a year earlier. Chicken prices in the spring of 1937 will tend to be lower than in the same period of 1936.

WOOL

The estimated production of shorn wool in the United States in 1936 was only about 1 percent smaller than in 1935, but stocks of wool in all positions in this country at the end of June were about 7 percent smaller than a year earlier. Consumption of wool by United States mills has been fairly well maintained in the first half of 1936, although it was smaller than the relatively large consumption in the corresponding period of 1935. Domestic prices of wool were generally unchanged in July and trading on the Boston market was confined to only moderate quantities. Although mill consumption during the remainder of 1936 is not expected to be so large as a year earlier, the relatively small supplies available in this country probably will prevent any severe decline in domestic wool prices in this period.

The outlook in foreign wool markets for the opening of the new selling season in September is somewhat uncertain. The unsettled conditions in several continental European countries and the threatened restrictions of Japanese imports of Australian wool may result in a rather slow movement of new clip wool from the Southern Hemisphere. However, available supplies of wool (production plus carry-over) in Southern Hemisphere countries in 1936-37 are expected to be slightly smaller than in 1935-36.

Little change was reported in domestic wool prices in June and July. Quotations for fine (64s 70s 80s) staple territory wool at Boston for the week ended August 1 averaged 89 cents per pound, scoured basis, the same as a month earlier, but at the same time a year earlier the average price of this grade of wool was 75.5 cents per pound. Territory 56s averaged 75 cents per pound, scoured basis, for the week ended August 1, compared

with 76.5 in early July and 62 cents in early August last year. The United States farm price of wool on July 15 was 27.5 cents per pound compared with 27.8 cents on June 15 and 20.5 cents on July 15, 1935.

The quantity of wool shorn or to be shorn in the United States in 1936 was estimated at 361,000,000 pounds compared with 365,000,000 pounds in 1935 and the 5-year (1931-35) average of 367,000,000 pounds. On the basis of stocks of wool in the hands of dealers and manufacturers at the end of March, domestic production, imports, and domestic mill consumption from April through June, it was estimated that the total supplies of wool on hand on July 1, 1936 plus the quantity to become available during the remainder of the wool marketing year amounted to about 527,000,000 pounds. This quantity is about 7 percent smaller than theestimated supply available on July 1, 1935 and 15 to 20 percent less than that of 2 years earlier.

Imports of apparel wool into the United States in June totaled about 9,000,000 pounds compared with only 1,448,000 pounds in June last year. Although larger than in May, the June imports were smaller than those in each month from January through April this year. In the first half of 1936 imports of apparel wool totaled about 62,000,000 pounds compared with about 14,000,000 pounds in the first 6 months of 1935.

The rate of domestic mill consumption of apparel wool in June was higher than in any month since March, but it was about 12 percent lower than in June last year. Mill consumption of apparel wool in the first 6 months of 1936 totaled 131,000,000 pounds, scoured basis, compared with 140,000,000 pounds in the first half of 1935 and 97,000,000 pounds, the January to June average for the 5 years 1930-34.

COTTON

Although domestic mill activity and cotton consumption are at high levels, cotton prices tended downward during the last month largely as a result of more favorable crop prospects in the United States. In the 12 months from August to July, which make up the 1935-36 season, both domestic consumption and exports were considerably above the 1934-35 level, although the latter were well below average exports in the 10 years 1923-24 to 1932-33. The world carry-over of American cotton has been considerably reduced as a result of the small 1935-36 crop and the increased world consumption of American cotton compared with last year. The New York Cotton Exchange Service places the world carry-over of American cotton on August 1 at 7,100,000 bales, a reduction of about 1,900,000 from the carry-over of 9,009,000 bales on August 1 last year, but still nearly 18 percent above the average carry-over of 6,024,000 bales from 1923-24 to 1932-33.

The price of Middling spot cotton at the 10 markets, after reaching a high for the season of 13.42 cents on July 10, has shown a tendency to decline since then. The weekly average price was 13.08 cents for the week ended July 18, 12.98 cents for the week ended July 25, 12.78 in the week ended August 1, and 12.53 for the week ended August 8. The average for the month of July was 12.90 cents. Among price depressing influences during the past few weeks, have been the general beneficial weather conditions affecting crop prospects in the United States and some unfavorable factors featuring the foreign demand outlook, such as the high price of American cotton relative to foreign growths and the disturbance of cotton

consumption and industrial activity in general on the Continent as a result of civil war in Spain and political and labor troubles elsewhere.

The August 1, 1936 consolidated cotton report of the Crop Reporting Board estimates the new crop at 12,481,000 bales of 478 pounds net. This production represents an estimated average of 199.7 pounds from 29,924,000 acres. This compares with an actual production and yield for this last year of 10,638,000 bales and 186.3 pounds respectively. This season crop conditions are poorer than at the same time last year, and are poorer than they were on an average from 1923-24 to 1932-33 in Georgia and North Carolina and South Carolina, and are poorest of all in Oklahoma. In the other important producing States conditions are better than the 10-year average and are about as good or better than last year.

Domestic cotton mills continue to be very active, and cotton consumption is running at a very high rate. Trade reports state that mill sales of unfinished goods were relatively light during the month of July, but that the domestic spinning situation can be regarded as favorable in view of the high ratio of unfilled orders to unsold stocks. During the 12 months, August to July, domestic mills used about 6,300,000 bales of cotton according to a preliminary estimate of the New York Cotton Exchange Service. This compares with a utilization of 5,360,000 bales last year, and an average of 6,182,000 bales in the period 1923-24 to 1932-33.

The condition of foreign cotton textile industries vary greatly from country to country. In Great Britain mill activity is comparatively high, but it is reported that yarn sales have been below current output for the last few weeks and that there are indications of some recession in mill activity. German and Italian mills continue to be hampered by barriers to the importation of raw cotton, and France and Belgium are still affected by labor troubles. The Spanish industry is disorganized by the civil war. Trade reports indicate that Japanese conditions during July were about the same as in June which was a busy month for the Japanese cotton textile trade. Total imports of raw cotton were the second largest for any June on record, although American cotton represented a smaller share of total imports than in any month on record. Imports of American cotton in June were only slightly larger than last year while imports of Indian, Egyptian, Chinese, Brazilian, and African cotton were much larger than in June 1935.

Exports for this past season are estimated at 6,050,000 bales, an increase of 26 percent over last year's very low level of 4,799,000 bales but are 23 percent less than average exports of 7,880,000 bales in the 10 years ended 1932-33. The world carry-over of American cotton on August 1 of this season estimated by the Trade at approximately 7,100,000 bales, compares with 9,009,000 bales on the same date last season and the 10-year average of 6,024,000. Of the total carry-over of about 5,475,000 in the United States, approximately 3,200,000 bales are estimated to be government financed cotton and 2,275,000 are in private hands. On August 1, 1935 government financed stocks amounted to 5,088,000 bales and private holdings to about 2,000,000 bales. The indicated carry-over of American cotton in foreign countries is roughly 1,625,000 bales compared with about 1,900,000 bales on August 1 last year and an average of 2,337,000 bales from 1923-24 to 1932-33. Indicated production for the 1936-37 season of 12,481,000 bales plus a carry-over of 7,100,000 bales gives an indicated total supply of American cotton for 1936-37 of about 19,600,000 bales, approximately the same as last year and somewhat less than the 10-year average of 20,438,000 bales. However, in the 10 years ended 1932-33, world consumption of American cotton averaged 13,471,000 bales which is 2,133,000 bales more than the consumption of 11,338,000 in 1934-35, and 1,000,000 bales more than trade estimates of a consumption of 12,475,000 bales in 1935-36.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory pay-rolls 2/	Factory employ-ment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 2/		Commodity prices: Foreign 4/: In foreign currency	Interest rates in percent 5/	Industrial stock prices in dollars 6/
	1923-25 = 100				1910-14 = 100	1926 = 100			
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	106	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	97	4.01	176
1928	111	102	99	149	141	97	97	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	83	3.56	236
1931	81	68	77	87	107	73	73	2.58	139
1932	64	46	64	65	95	65	69	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935									
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	70	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	75	85	109	118	80	73	.75	135
Nov.	98	74	85	108	118	81	74	.75	144
Dec.	104	77	85	110	118	81	74	.75	142
1936 -									
Jan.	98	72	83	109	118	81	74	.75	146
Feb.	94	72	83	109	118	81	74	.75	152
Mar.	93	76	84	104	116	80	74	.75	156
Apr.	100	78	85	105	116	80	74	.75	156
May	101	79	86	103	115	79	74	.75	149
June	103	80	86	107	116	79	75	.75	155
July				115	117	80		.75	162

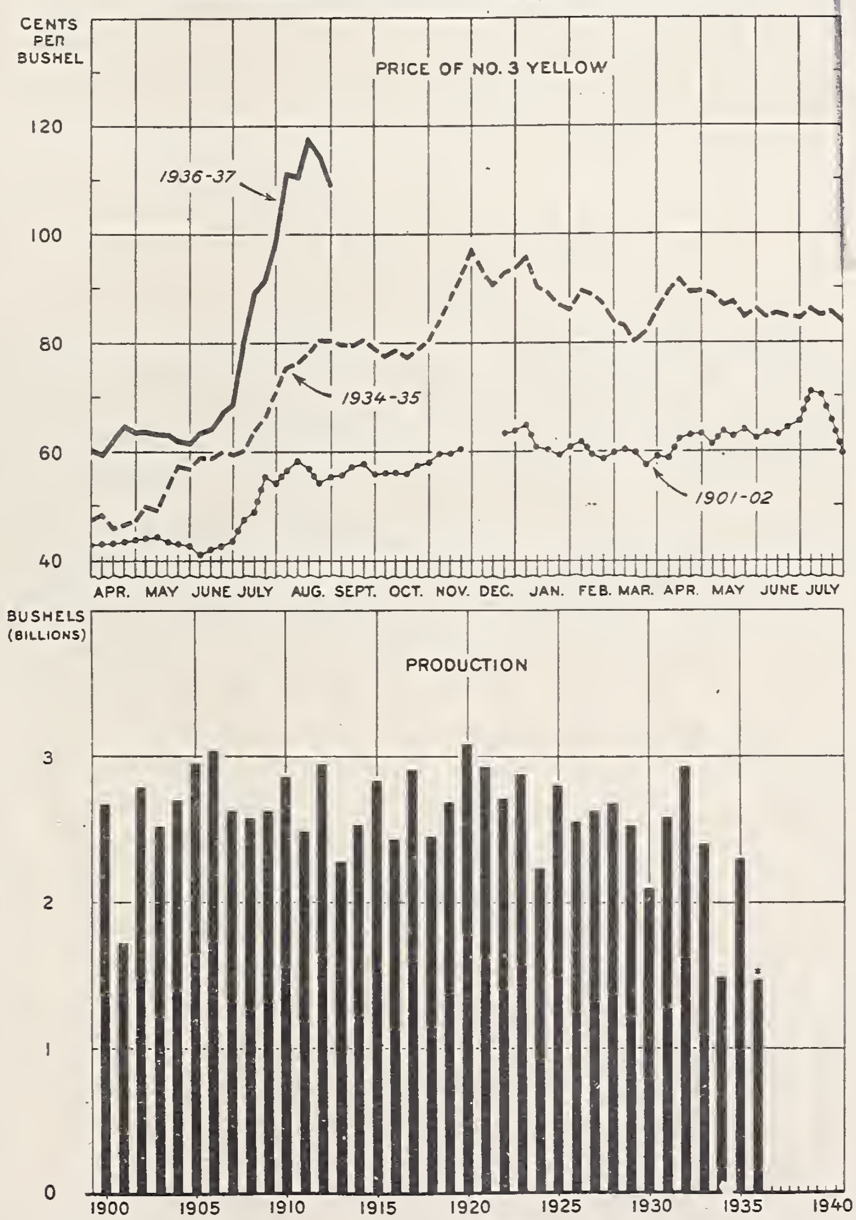
1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Review of Economic Statistics, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

The PRICE SITUATION

SEPTEMBER 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON

CORN: PRICE AT CHICAGO, 1901-02, 1934-35, AND 1936-37, AND PRODUCTION IN UNITED STATES, 1900 TO DATE



U. S. DEPARTMENT OF AGRICULTURE NEG. 21893 BUREAU OF AGRICULTURAL ECONOMICS

The corn situation in the fall of 1936 appears to be much like that in 1901 and 1934. In terms of production per grain-consuming animal unit, the crops in all three years are similar. Carry-over from the preceding crop, however, was somewhat larger in 1934 than in the other two years. This year the crop condition declined 32 percent between July 1 and September 1 compared with about 29 percent in the other two years. The sharp rise early this season may indicate that much of the price rise this marketing year has already taken place. In both 1901-02 and 1934-35 the seasonal decline associated with the marketing of the new crop was small.

FARM PRICES

The general level of farm prices appears to be about the same as in mid-August. Prices of cotton, dairy products, and cattle are somewhat higher, whereas prices of grains, hogs, lambs, and potatoes are lower than a month ago.

Wheat prices in the United States are expected to continue to average above an export basis during the 1936-37 season, with prices of durum and hard red spring wheat being on an import basis. The millable supplies of these two types of wheat are less than needed for domestic requirements, and supplies of other wheats which might be substituted are not large enough to make up the shortage. The feed grain situation was not greatly changed during August, as slight improvement in prospects for corn and oats were largely offset by deterioration of grain sorghums. Prices of feed grains continued sharply upward during the first 3 weeks of August, and under prospective conditions are expected to make little if any seasonal decline this fall.

The seasonal uptrend in hog prices which started in May was checked in late August, and prices have since declined slightly. The relatively high cost of feed as a result of the drought is expected to cause the 1936 spring pig crop to be marketed unusually early, thereby making slaughter supplies from October to December larger than average in relation to those from January to March. The price depressing influence of the increased market supplies in prospect during the next few months is likely to be offset to some extent by a strong storage demand. Hence, the seasonal price decline now under way may be no greater than average. The fairly strong cattle market in August, in spite of record slaughter supplies for the month, indicates that consumer demand for beef and other meats is continuing to improve. This increase in demand is expected to be a sustaining factor in slaughter cattle prices during the balance of the year when supplies of cattle and hogs are expected to continue well above the same period a year earlier. It now seems likely that the level of prices of most classes of slaughter cattle during the next few months may be sustained at about those of early September and that the better grades of beef steers may make a substantial advance in the latter part of October or early November. The prices of slaughter lambs declined steadily during August but experienced a rather sharp recovery early in September. Market receipts and slaughter supplies of sheep and lambs in August continued to run below those of a year earlier and the 5-year averages. The farm price of chickens continued to decline seasonally, but at a greater than average rate. Receipts of poultry are greatly exceeding those of 1935 and it is likely they will continue to do so.

Butter and cheese prices continue at an extremely high level, and in view of the prospects for relatively low milk production and improvement in consumer demand it seems likely they will average considerably higher during the winter of 1936-37 than they did a year earlier.

On the basis of present crop prospects it is probable that potato prices in general will reach the season low point during the latter part of September or the first part of October. It is also likely that the advance after the low point will be substantial, particularly during the latter part of the winter months. The small supply of apples available this year together with improving consumer purchasing power makes it probable that apple prices in general will average much higher than in the 1935-36 season and they probably will be the highest since 1929.

Cotton prices moved downward during the month of August but began to rise about the first of September in response to trade opinion that unfavorable weather conditions were reducing crop prospects in the western part of the Cotton Belt. On September 8 prices advanced sharply as a result of a much heavier reduction in the size of the crop than had been anticipated by the trade. The prospective total world supply of American cotton for the current season is smaller than for any year since 1924-25, and is considerably below the average of recent years.

The index of prices received by farmers in mid-August was 124 percent of the pre-war average compared with 115 in July and 106 in August 1935. Prices paid by farmers in August were slightly higher than in July, or about 126 percent of the pre-war average. This compares with 125 in August 1935. The advance in prices of farm products more than offset this rise in prices paid by farmers, and the ratio of prices received to prices paid increased from 93 in July to 98 in August, compared with 85 in August 1935.

WHOLESALE PRICES

The general level of wholesale prices at 118 percent of the 1910-14 average in the first week of September was slightly lower than the high point of the year which occurred at the peak of the drought in late August. Most of the decline since August was due to reductions in prices of farm products and foods, grain prices declining 7 percent and fruits and vegetables 5 percent. Prices of meats, however, have risen somewhat in recent weeks. Cotton prices, which declined steadily throughout August, increased sharply upon announcement on September 8 of the Government estimate of a reduced cotton crop.

Prices of commodities other than farm products and foods combined continued to advance in August and early September. Slight gains in hides and leather, metals, building materials, chemicals and drugs, as well as in miscellaneous commodities more than offset slight declines in textile products and fuel and lighting materials.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products increased in July to 94.4 percent of the pre-war average, the highest ratio for any month since September 1930.

Wholesale prices in the major foreign countries have generally strengthened in recent months. Prices in Canada in July and August advanced to the highest level in over 5 years, largely because of the rise in wheat prices, although prices rose somewhat in all groups except non-metallic minerals. Prices in England are also at the highest level in over 5 years. The sharp upturn of wholesale prices in France in July and early August from the more gradual rise of the last 2 years was due largely to increases in prices of agricultural commodities. Prices of wheat in France have strengthened in recent weeks, with advances regulated by the Central Committee of the wheat office by applying a "coefficient of increase" to the average price of the 1911-13 period. This coefficient takes into consideration both the increase in cost of living and prices of farm equipment.

Prices in Germany continue to advance moderately, in spite of numerous government regulations fixing prices of all the principal commodities. Prices of agricultural products in Germany in recent weeks have advanced more rapidly than have prices of industrial goods. Prices in Sweden and Denmark each advanced appreciably in July after remaining constant for a period of 8 months. In the Orient prices are also rising, prices in China and Japan each gaining 3 percent since January. While publication of economic data has not yet been resumed in Italy the London and Cambridge Economic Service is publishing prices of selected agricultural commodities in that country. Italian agricultural prices as a whole have declined only 5 percent since July 1935, but it is interesting to note the individual variations. Prices of soft grains and beef, for example, have risen about 25 percent in Italy since July 1935 and oil prices by half that amount, whereas prices of wine, a major exporting commodity, declined to only a third of the price level of a year ago.

BUSINESS CONDITIONS

Industrial activity, in general, during the summer this year has shown less than the usual seasonal decline, and in some important lines, including steel and cotton textiles, there has been no seasonal recession. Recent price advances for manufactured products and for basic raw materials, together with large orders for fall merchandise and extensive demand for steel products, point to a continued high level of industrial activity during the next few months.

Available data indicate that the volume of industrial production during August was about the same as that of the preceding month. August was the fifth consecutive month during which steel ingot output maintained a level of about 70 percent of capacity. Steel production during the last week of the month was estimated at a rate of 73 percent of capacity, the highest level since May 1930. Although automobile orders for steel had tapered off before the first of August, as the end of production on 1936 models approached, steel mill activity was maintained at a high level by orders from other industries for both light and heavy steel. Cotton textile mills have continued to operate at a high rate, largely against heavy unfilled orders. Bituminous coal production was at a higher level than in July, and the output of electric generating plants rose slightly further in the latter part of August to the highest level ever reached. Pig iron output during August advanced 4½ percent to the highest level since July 1930.

Department store sales in August did not show quite the usual seasonal increase from July, but were substantially greater than in August last year. The Federal Reserve System's seasonally adjusted index of department store sales was 86 percent of the 1923-25 average in August compared with 91 in July and 77 in August 1935. Rural retail sales did not make quite the usual seasonal increase from July to August, but were about 20 percent greater than for August 1935. The seasonally adjusted index of variety store sales declined from 109 percent of the 1929-31 average in July to 99.5 in August.

Shipments of merchandise and miscellaneous l.c.l. freight during the first half of August were about the same as in July, but carloadings of bulk freight decreased somewhat, owing primarily to a decline in grain shipments.

Building and engineering contracts awarded in 37 states in August were about 7 percent below those of July. Greater than seasonal declines in public works and utility and other non-residential contracts more than offset a contra-seasonal gain in residential contracts. Residential construction was double that of a year ago, and contracts for other types of work remained moderately above the August 1935 level.

Industrial activity in most foreign countries has continued to increase. In Great Britain there has been little evidence this year of the usual seasonal decline in business activity during the summer, and the outlook is for a continued upward movement. The trend of industrial activity in the Scandinavian countries and in Germany has also continued upwards. Business conditions in Japan show little change in recent months. In China conditions remain very disturbed.

WHEAT

Wheat prices in the United States are expected to continue to average above an export basis during the 1936-37 season, with prices of durum and hard red spring wheat on an import basis. The millable supplies of these two types of wheat are less than needed for domestic requirements and supplies of other wheats which might be substituted are not large enough to make up the shortage. It is expected that the 1936-37 domestic wheat prices will tend to average about as high relative to Liverpool as in 1935-36, when the price of No. 2 Hard Red Winter at Kansas City averaged 15 cents over parcels at Liverpool. However, the spread between these two markets in July and August has been less than a year earlier. In August, due largely to low prices in Winnipeg compared with Liverpool, the spread averaged only about 7 cents compared with 18 cents in August 1935. Any improvement in Canadian prices may be expected to be reflected in higher prices in the United States.

The level of world prices in 1936-37 will average materially above that of 1935-36 as a result of a reduction of about 305,000,000 bushels in world supplies. Supplies, which reached a record total in 1933, are now reduced to about normal. Present estimates indicate that the 1936-37 world crop, outside of Russia and China, will be about 95,000,000 bushels less than last year and world carry-over of old crop wheat on July 1 this year, excluding Russia and China, about 210,000,000 bushels less.

Lower prices in Canada, the result of offerings of new wheat and also of increased takings of Danubian wheat by foreign markets at the expense of Canadian, were largely responsible for a decline in domestic wheat prices the last half of August. Much of the decline, however, was regained in early September when Canadian markets advanced. The average United States farm price of wheat for August was 105.1 cents per bushel compared with 94.4 cents a month earlier and 80.8 cents, the revised figure, for August 1935. The average price of all classes and grades at six markets for the week ended August 15, was 128.3 cents per bushel compared with 109.1 cents for the week ended July 18, 1936 and 95.6 cents a year earlier. By the first week in September prices had declined so that the average was 119.0 cents compared with the 128.3 cents on August 15.

Total 1936-37 supplies (carry-over plus crop) of hard red spring wheat is estimated at 92,000,000 bushels, which represents a reduction of 74,000,000 bushels in the supplies of a year earlier, which consisted of 22,000,000 bushels of full-duty wheat imports in addition to 107,000,000 bushels of domestic wheat. Total supplies of hard red winter wheat are estimated at 319,000,000 bushels, an increase of 44,000,000 bushels over 1935, while total supplies of white wheat are about 16,000,000 bushels greater than a year earlier. Total supplies of soft red winter wheat in prospect (235,000,000 bushels) are about the same as in 1935. Compared with last year, it appears that there will be an excess of hard red winter and white wheat available which could be substituted directly or indirectly for hard red spring wheat and thereby offset much of the shortage. Assuming such substitution, and recognizing that red winter wheat is of high milling quality this year, it would appear that the actual deficit of hard red spring wheat may amount to only about 18,000,000 bushels. Total durum wheat supplies are tentatively placed at only 16,000,000 bushels. Based on past experience, a utilization of 19,000,000 bushels and a carry-over of 4,000,000 bushels, seems to be about the minima which might be expected. If utilization and carry-over during the current season approximate these figures, a deficit of about 7,000,000 bushels is indicated.

Total domestic supplies of all wheat for 1936-37 are indicated to be 780,000,000 bushels, consisting of 150,000,000 bushels of carry-over on July 1 and a prospective crop, based on September 1 indications, of 630,000,000 bushels. The Bureau estimates domestic utilization for the year at about 660,000,000 bushels, which includes 495,000,000 bushels for milling, 80,000,000 for seed and 85 million for feed. Exports and shipments in 1936-37 will probably be not much different from 1935-36, when they amounted to 300,000 bushels of wheat and 6,800,000 bushels of flour in terms of wheat. If carry-over stocks and crop prospects are borne out, and a 660,000,000 bushel disappearance and exports and shipments of 7,000,000 bushels are assumed, there would be 113,000,000 bushels, exclusive of imported wheat, available for carry-over at the end of the year. If, however, the estimated prospective deficits of hard red spring and durum wheat are just taken care of by imports, this carry-over would be increased to 138,000,000 bushels. Imports of wheat "unfit for human consumption" in 1936-37, have not been taken into consideration, because it is too early to know how much of such wheat will be available in the new Canadian crop, from which we might expect to draw. Imports of such wheat would tend to reduce the amount of domestic wheat fed to livestock, but at the same time would probably increase the total utilization. In 1934-35, imports of this type of wheat totaled 8,000,000 bushels and last year 9,000,000 bushels.

CORN AND OTHER FEED CROPS

The feed grain situation was not greatly changed during August, as slight improvement in prospects for corn and oats were largely offset by deterioration of grain sorghums. In many respects the situation this year resembles that of 1901 and 1934 when production was also extremely small. In both of these years corn prices moved generally upward during the period September to December. This year corn prices advanced sharply early in the season, which suggests that much of the price rise may have already taken place. Adjustments in prices of corn and other feed grains as the season advances will depend largely upon the extent and rapidity of livestock liquidation, the final outcome of forage and grain production, the extent of importation of corn, and the trend of livestock prices.

Prices of feed grains continued sharply upward during the first 3 weeks of August, as the drought curtailed feed supplies in many sections of the mid-West. From the last week in July to the third week of August, the price of No. 3 Yellow corn at Chicago advanced from a weekly average of 99 cents to an average of $1.18, No. 3 White oats from 39 cents to 46 cents, and No. 3 barley at Minneapolis from 87 cents to $1.20. During late August and early September, corn and oat prices receded slightly as favorable rains fell in many sections of the Corn Belt, while barley prices continued upward to the end of the month then declined the first week in September. Although rain came too late to improve the corn crop substantially, it improved pastures and in many sections reduced feeding of hay and grain.

The United States average farm price of corn on August 15, was 103.7 cents, the highest in recent years. The average farm price of oats August 15, was 43.0 cents which was somewhat below the peak reached early in 1935, and barley was 81.3, the highest since June 15, 1928. With the exception of oats, grain prices are somewhat higher than in 1934, but lower relative to livestock prices.

Restrictions in grain rations and liquidation of livestock are expected to continue. However, favorable returns from feeding during the past 2 years together with more favorable feeding ratios at the present time than in 1934 possibly may induce many farmers to feed animals to heavier weights than in that year. In this case the feed shortage may become relatively more severe in late 1936 or early in 1937 and grain prices may rise relative to livestock prices at that time. Sharply rising corn prices since June have increased the margin between domestic and Argentine corn prices to considerably more than the 25-cent import duty. In response, imports have expanded rapidly. Importations in July were 1,300,000 bushels and arrivals indicate that the August figure will be considerably larger. Total supplies available for export from the 1936 Argentine crop are estimated at about 200,000,000 bushels compared with 80,000,000 bushels in 1934. In view of this situation, imports from Argentina for the coming marketing year beginning October 1, 1936, are expected to be materially larger than the 37,000,000 bushels imported during the same period of 1934-35 and will offer resistance to advancing prices.

Feed grain supplies (carry-over plus production) per animal unit in the present grain marketing year, assuming larger importations of corn, may be expected to be somewhat larger than in 1934, unless liquidation of livestock in the next few months is not so heavy as expected. Larger supplies of hay available this year, moreover, makes the entire feed situation easier than in 1934-35, as farmers may winter much of their livestock with less grain. After making allowance for early marketing of hogs and heavy fall marketing of poultry, livestock numbers on January 1, 1937 are expected to be not greatly different from those on January 1, 1935 and the season's supply of feed grain per animal unit would be about 5 percent greater than in 1934-35.

Total prospective production of corn, oats, barley and grain sorghums was estimated on September 1 at 58,000,000 tons which compares with 54,000,000 tons in 1934 and the 10-year (1923-32) average of 100,000,000 tons. The 1936 prospective production of corn increased 1.3 percent during August and was estimated at 1,458,000,000 bushels on September 1. This prospective production, however, still falls below the 1934 crop and promises to be the smallest since 1881. September 1 conditions indicated a 1 percent increase in the oat crop from August 1 and little change in barley prospects. Prospects for total hay production improved slightly during August, and on September 1 conditions indicated a crop of 70,194,000 tons. This is 13 percent less than the 5-year (1928-32) average but 20 percent more than the 58,372,000 tons harvested in 1934.

APPLES

Apple prices at central markets declined sharply during the first 3 weeks of August but more than regained the loss during the last week of the month and the first week of September. At New York the general average for all varieties on the l.c.l. market was $1.18 per bushel during the first week of August. It dropped to 86 cents by the end of the third week, but then rose to $1.13 by the end of the first week of September. A year ago the average was 97 cents. At Chicago the general average declined from $1.23 per bushel to 82 cents during the first 3 weeks of August, but rose to $1.34 by the end of the first week of September. Last year at this time the Chicago average was about 88 cents per bushel.

On the auction markets California Gravensteins declined during the last month. At New York the average for the first week of September was $2.01 per box, compared with $2.32 a month earlier, while at Chicago it was $1.51 compared with $1.99 per box.

Because of the higher level of prices received in recent weeks, car-lot shipments of apples are moving at a slightly higher rate than at this time a year ago. Shipments for the week ended September 5 totaled 591 cars, compared with 450 cars for the corresponding week last season. The total movement for this season to September 5, however, was somewhat below that of last year to the same time, largely because of the smaller volume moving from Eastern States. Because of the heavy movement of apples by auto-truck during this season of the year, however, car-lot shipments measure only the marketings from states more distant from the central markets.

The indications for the 1936 apple crop improved 3 percent during August, due largely to favorable growing conditions in the West and to improvement in moisture conditions in the eastern apple areas. For the United States the crop indicated by September 1 conditions is 105,856,000 bushels. This compares with 167,283,000 bushels in 1935 and 161,333,000 bushels, the 1928-32 average. In the Atlantic Coast States the indications point to a crop of about 40,645,000 bushels this year, against 68,140,000 in 1935; in the Central States about 16,596,000 bushels, compared with 45,686,000, and in the West there may be 48,615,000 bushels, compared with 53,457,000 bushels last season. In the first two areas mentioned the crops this year are the smallest since 1921.

Commercial production this year is indicated to be only 66,452,000 bushels for the United States, compared with 93,866,000 bushels last year. It is only slightly larger than the record low commercial crop produced in 1921. About 51 percent of the commercial crop is in the West this year, compared with 45 percent, the usual proportion.

On the basis of these indications, it is apparent that the price prospects are changed but little from those of a month ago. The small supply of apples available this year, together with improving consumer buying power, makes it probable that apple prices in general will average much higher than in the 1935-36 season and they probably will be the highest since 1929. It is also likely that prices have reached the low point for the season and, although some temporary declines may occur, the trend of prices is likely to be upward during the balance of the marketing year. The extent of this rise, however, is dependent upon the quantity of apples placed in storage for the late winter and spring market and upon the export market situation.

The improved market prospects this season are reflected by the prices received by growers. On August 15, the average United States farm price of apples was about 88 cents per bushel, compared with 78 cents at the same time last season, and a 5-year (1909-1913) August average of about 72 cents.

CANNED VEGETABLES

Condition of some of the important canning crops improved during August, so that production prospects increased slightly. However, with the exception of tomatoes and green lima beans, production is expected to be far below that of last year. The crop of tomatoes for manufacture is now forecast at 1,771,900 tons, compared with 1,689,000 last season; sweet corn 581,000 as against 859,900 tons in 1935; snap beans 73,300 tons compared with 81,500 last year; green peas 175,290 tons compared with 268,120, and cabbage for kraut 91,400 tons, against 134,800 tons in 1935. On the basis of present prospects the supply of all canned vegetables for the 1936-37 season is expected to total 95,000,000 cases, compared with 105,933,000 cases in 1935-36. The supply this season, however, is about 18 percent larger than in 1934-35 and 30 percent larger than in 1933-34.

Wholesale prices of several canned vegetables continued to advance during the last month. At $1.35 per dozen No. 2½ cans, standard sauerkraut in the East was just double the price of a year ago, when the crop of cabbage for kraut was rather large. Standard grade of some other vegetables in No. 2 cans registered the following advances in eastern markets since early August: Cut green beans 5 cents per dozen cans; cut beets 20 cents; cream-style white corn 15 cents, and Alaska 4-sieve peas 7½ cents per dozen. Beans recently ranged 85-90 cents per dozen No. 2 cans, compared with 60 cents a year ago. Beets sold at 85 cents, or 10 cents above the price of last September. Corn touched $1.00 per dozen, as against 70-75 cents at the same time in 1935. Peas at 90 cents in early September this year were 20 cents higher than last season. Standard grade spinach held at 85-90 cents per dozen No. 2 cans, which was about 18 cents above the price of mid-September 1935. Tomatoes weakened slightly during the last month to 67½-75 cents per dozen, but this was still 6 cents higher than a year ago. No. 1 cans of tomato juice at 40 cents per dozen were 5 cents below the price of last autumn.

POTATOES

An indicated total production of potatoes in the United States of 311,951,000 bushels, which is 17,414,000 more than the August 1 forecast, was reported on September 1. The present forecast compares with 387,678,000 bushels harvested in 1935, 406,105,000 in 1934, and a 5-year (1928-32) average production of 372,115,000 bushels. Considerable improvement in crop prospects over a month ago resulted from timely rainfall, which benefited the late potato crop in Pennsylvania, and the North Central States, including Ohio, Michigan, and Minnesota. The late crop also made substantial gains in Colorado, Idaho, and Maine.

The indicated production on September 1 for the 18 surplus late states is 224,351,000 bushels compared with 272,722,000 bushels harvested in 1935 and the 5-year average production of 260,473,000 bushels. The forecast for the three Eastern States, Maine, New York, and Pennsylvania, was reported at 89,730,000 bushels compared with 92,246,000 bushels produced in 1935 and a 5-year average of 96,673,000 bushels. Indicated production in the 30 late states is placed at 260,068,000 bushels compared with 318,887,000 harvested in 1935 and a 5-year average of 300,186,000 bushels.

Prices of potatoes in terminal markets and at shipping points have continued to show seasonal declines, with additional weakness developing recently as a result of improved crop prospects and increased supplies. New Jersey and Kansas cobblers were selling in the Chicago car-lot market the second week in September at about $2.35 per 100 pound sack, while Wisconsin stock brought $2.05 to $2.10 per 100 pounds. These prices are slightly under those of the preceding week and earlier in August. A year ago New Jersey and Maryland cobblers were quoted at $1.15 to $1.20 and Wisconsin stock at 85 to 90 cents per 100 pound sack in the Chicago market.

The same general trend was noted in the New York market. New Jersey cobblers sold recently in l.c.l. lots to jobbers and other large buyers at $1.75 to $1.90 per 100 pound sack compared with $1.85 to $2.00 and more a month ago. Sales a year ago were made at 90 cents to $1.00.

Recent car-lot f.o.b. usual term sales of New Jersey cobblers held at $1.75 to $1.90 per cwt. at shipping points compared with $1.85 to $2.00 in August and early September. At Waupaca, Wisconsin, carload f.o.b. sales were listed at $1.75 to $1.80, declining to that level from $2.00 and more a week or 10 days earlier.

The United States farm price averaged $1.28 per bushel on August 15, 1936 compared with $1.41 a month earlier, 49 cents a year earlier and 84 cents, the 1909-13 August average.

Car-lot shipments of potatoes in the United States totaled 3,434 for the week ending September 5, compared with 2,678 the previous week and 2,303 during the corresponding week in 1935. The total carloads shipped through September 5 were 62,690 compared with 57,389 to a corresponding date last year.

On the basis of present crop prospects it is probable that potato prices in general will reach the seasonal low point during the latter part of September or the first part of October. Also it is likely that the advance after the low point will be substantial, particularly during the latter part of the winter months. The extent of the advance, however, will depend largely upon the quantity of potatoes remaining in storage on January 1.

TOBACCO

The total supply of tobacco for the 1936-37 season now appears to be about 211,000,000 pounds (farm sales weight) above normal, or about 5.3 percent less than that of the previous year. The first seven months of the calendar year 1936 shows substantial increases in domestic consumption over the same period of the last 3 years. Though export data available to date for the crop season 1935-36 show an increase in exports over the same period for 1934-35, the volume is still below that of 1933-34. On the basis of price relationships prevailing prior to the marketing agreements and production control program, it would appear that the price of all tobacco for the 1936-37 season would be somewhat lower than that of either of the 2 previous seasons. However, the effects of the removal of the production control program, the unprecedented consumption of cigarettes, limited information concerning tobacco stocks in foreign countries, and drought conditions in many producing areas may change these relationships.

The production of 1,142,900,000 pounds for the 1936 crop as indicated September 1, is 88.1 percent of the 1935 production, the decrease being due largely to drought conditions. Based upon a general trend of stocks, manufactures, and exports, it is estimated that stocks of domestic tobaccos held by dealers and manufacturers at the beginning of the crop year October 1, 1936, will be about 2,187,000,000 pounds (farm sales weight). The estimated stocks together with the indicated production, result in a probable supply of 3,329,900,000 pounds, which is 5.3 percent less than the 1935-36 supply but only 1.1 percent less than the 1934-35 supply.

As represented by tax-paid withdrawals, January-July 1936, cigar consumption has increased 6.8 percent over the same period of 1935, 11.0 percent over 1934, and 18.2 percent over 1933. In each case the greater part of the increase in cigar consumption has been in cigars manufactured to retail at not more than 5 cents. Cigarette consumption during the first 7 months of the present calendar year reached an all-time high of 87,391,000,000, or an increase of 11.3 percent over 1935; 18.3 percent over 1934; and 30.0 percent over 1933. Snuff consumption during this period increased 5.6 percent and manufactured tobacco increased 2.9 percent over 1935.

Exports of all types of tobacco to date for the crop season 1935-36 (flue-cured, July-June 1935-36; Maryland, January-July 1936; other types October-July 1935-36) were 404,182,000 pounds (export weight) or an increase of 12.1 percent over 1934-35, but 4.4 percent less than those of 1933-34. Although flue-cured exports were 322,792,000 pounds, or 32.0 percent greater than in 1934-35, they were 2.3 percent less than those of 1933-34. Of the flue-cured exports the United Kingdom took 226,631,000 pounds and China 24,040,000 pounds. The takings of the United Kingdom represent an increase of 48.7 percent over those of the preceding year but exports to China were 17.0 percent below those of the preceding year. Exports of Maryland tobacco were 44.9 percent above those of 1935 but 7.0 percent below those of 1934. Exports of all other tobaccos were 11.9 percent below those of 1934-35 and 12.3 percent below 1933-34.

The 1936 Georgia and Florida flue-cured (type 14) tobacco markets opened August 4 with prices during the first 4 days ranging from an average high of 28.7 cents on one market to an average low of 15.7 cents on another market, and an average of 25.1 cents for all sales. At the close of the fourth week on August 28, about 96 percent of the entire crop (indicated September 1 to be 22.9 percent greater than the 1935 crop) had been sold at an average price of 20.9 cents. This price compares with a season average of 18.7 cents in 1935 and 18.8 cents in 1934.

The South Carolina flue-cured (type 13) markets opened August 13. Unofficial reports indicate an average price somewhere between 20 and 25 cents. A number of markets report prices several cents higher than those of last year. The average price received during August for this type last year was 21.1 cents.

The indicated production of all flue-cured types, exclusive of type 14, is 19.5 percent below the crop of 1935. Exports of flue-cured tobacco during July 1936 were 14,328,000 pounds (export weight) compared with 7,816,000 pounds for July 1935; 9,295,000 pounds for July 1934; and 14,684,000 for July 1933.

HOGS

The seasonal rise in hog prices which started in May apparently ended in late August, as prices have since been gradually declining. Prices of the lighter weight hogs have shown the greatest weakness, as marketings of these have been increasing recently, while those of packing sows and heavy butcher hogs have been decreasing. High feed costs as a result of the drought are expected to cause the spring pig crop to be marketed unusually early, thereby making slaughter supplies from October to December larger than average in relation to those from January to March. The price depressing influence of the increased market supplies in prospect during the next few months is likely to be offset to some extent by a strong storage demand. Therefore, the seasonal price decline now underway may be no greater than average.

The weekly average price of hogs at Chicago rose from $9.42 per 100 pounds about mid-July to $10.23 the third week in August, after which it declined slightly as supplies of new crop hogs increased. Continued advances in the prices of packing sows, marketings of which have decreased sharply in recent weeks, caused the average to rise to $10.26 the first week in September, but in the second week prices again weakened.

Hog slaughter under Federal inspection during August, totaling 2,254,000 head, was 16 percent smaller than that in July, but was 35 percent larger than the unusually small slaughter of August last year. The increase over a year earlier was not as great relatively as the increases recorded in June and July and it is likely that slaughter in September will show a still smaller increase over a year earlier than did August slaughter.

Marketings in July and August this year included the largest proportion of packing sows recorded in several years, the percentage of such hogs in the total supply each week being from one-fourth to one-half greater than that of a year earlier. The peak of the packing sow movement was reached about mid-August and the proportion has since been declining sharply. Reports indicate that some farmers who sold sows because of the drought conditions in July and August have been endeavoring to make repurchases since feed prospects were improved by recent rains. Average weights of hogs at some markets in August were heavier than those recorded in July, but at other markets they were slightly lighter and the monthly average for the seven principal markets combined of 256 pounds, was 2 pounds lighter than that of July but was 5 pounds heavier than that of August last year.

The rise in corn prices as a result of the drought caused a drop in the Chicago hog-corn price ratio from 11.4 in July to 8.9 in August. In August 1935 it was 13.4. The drop in the ratio to the present low level will operate to keep hog production down to a relatively small volume until new feed crops become available next year.

Wholesale prices of fresh pork rose sharply during August to the highest levels of the year, but in most instances did not quite reach the peak prices recorded in the late summer of 1935. Prices of most cured products were steady to lower. Those of lard advanced sharply during the first 3 weeks of August and then reacted slightly. These movements, however, reflected to a large extent the speculative demand for lard, which has developed in connection with the drought situation and its effect on prospective lard supplies for 1937.

Storage holdings of pork and lard were reduced seasonally during August but the reductions were relatively and actually much smaller than average. Stocks of pork on September 1, totaling 421,000,000 pounds, were 4.8 percent smaller than those reported August 1, but were 29 percent larger than the very small stocks on hand a year earlier. Compared with the 5-year average for that date, however, the total was 25 percent smaller. Lard stocks, totaling 111,000,000 pounds, were about 6 percent smaller than those of August 1 and 14 percent less than the 5-year average for September 1, but were 106 percent greater than the record low stocks for that date reported the previous year. Supplies of lard now in storage are more nearly normal than those of pork, but lard production during the coming hog marketing year is expected to be relatively smaller than that of other hog products.

CATTLE

Prices of the better grades of slaughter cattle continued to strengthen during August, although most of the advance was in the first half of the month. For the last week of the month the average weekly price of good and of choice steers at Chicago was about $1.00 per hundred higher than the low point reached about the middle of June. Prices of the lower grades of slaughter steers advanced somewhat from the low level reached in the first week of August, and for the month as a whole averaged about the same as in July, whereas the seasonal trend is usually downward.

Prices of the better grades of heifers strengthened, and better grade steers and low grade cows and heifers recovered from the low level of late July. At the end of August they were not greatly different from prices of early July. Prices of stocker and feeder steers changed little during August, but with a tendency to strengthen shown by the better grades. The spread between the prices of stocker and feeder steers and beef steers continued to widen during August. Prices of light weight cattle of the better grades showed considerably more improvement than did those of medium and heavy weights, and early in September yearling steers were selling at the top of the market. The average price of beef steers at Chicago in August was $8.46 compared with $8.13 in July and $10.27 in August 1935. The United States farm price of beef cattle August 15 was $5.71 compared with $5.71 July 15 and $6.28 August 15, 1935. The farm price of veal calves was $7.05 August 15, compared with $7.21 July 15 and $7.11 August 15, 1935.

Supplies of cattle and calves continued large during August. Receipts of cattle at 7 leading markets were 24 percent larger than in August 1935, and 18 percent above the 5-year August average. Inspected slaughter of cattle of 1,015,000 head was 16 percent larger than in August 1935, 30 percent above the 5-year August average, and the largest commercial slaughter for the month on record. Inspected slaughter of calves of 541,000 head was also the largest for the month on record. Average weights of cattle slaughtered in August were doubtless considerably heavier than in August 1935, because of the much larger proportion of fed steers in the slaughter. The number of choice steers at Chicago in August was the second largest for the month in the 15 years of record and the proportion of good and choice steers of total beef steers was the largest for the month on record. For the week ended September 5 the proportion of choice steers in the slaughter steer supply at Chicago was the largest for any week in the 15 years of record. The slaughter supply in August also included a rather large number of cows and heifers coming out of the worst drought areas but the proportion of cows and heifers in the total inspected slaughter, while above average, was probably considerably smaller than the record proportion in August 1935.

The buying organization set up at a number of markets by the Surplus Commodities Corporation to support the market on low grade cattle that might be forced to slaughter as a result of the drought was inactive during August so far as actual buying was concerned as only a few hundred head were bought during the month.

Market supplies and slaughter of cattle and calves are expected to continue large for the balance of 1936. Marketings from the Western cattle States --- those from Texas to North Dakota and westward --- were estimated as likely to be 15 percent, equivalent to 800,000 head, larger for the last 5 months of 1936 than for the corresponding period of 1935. Marketings from other North Central States, where drought damage has been severe, and from the dairy states of the Northeast are also expected to be relatively large. The supply of fed cattle is expected to continue liberal until toward the end of October, but after that a rather sharp reduction may occur. In early September there apparently were still a relatively large number of well-finished, heavy and medium weight beef steers in Corn Belt feedlots that had been held back for one or more months in the hopes of a substantial advance in prices.

In view of the fairly strong cattle market in August in spite of record slaughter supplies for the month, it is apparent that consumer demand for beef and other meats is continuing to improve. This increasing demand is expected to be a sustaining factor in slaughter cattle prices during the balance of the year when supplies of cattle and hogs are expected to continue well above a year earlier. It now seems likely that the level of prices of most classes of slaughter cattle during the next few months may be sustained at about that of early September and that the better grades of beef steers may make a substantial advance in the latter part of October or early November.

LAMBS

The price of slaughter lambs declined fairly steadily during August and at the end of the month the top at Chicago was nearly $1.00 a hundred lower than at the beginning of the month. Prices of lower grade lambs declined considerably less than did the top price. A rather sharp recovery occurred early in September and the top at Chicago, which had dropped from $10.75 to $9.65, advanced to $10.40. Prices of feeder lambs at Chicago and Omaha did not change much during August and strengthened a little early in September. The monthly average price of good and choice slaughter lambs at Chicago for August was $9.53 compared with $9.94 for July and $8.68 for August 1935. The August 15, farm price of lambs was $7.59 compared with $7.94 on July 15 and $6.45 on August 15, 1935. Prices of slaughter ewes did not change greatly during August and were at about the same level as that prevailing in August 1935.

Market receipts and slaughter supplies of sheep and lambs in August continued to run below those of a year earlier and the 5-year averages. Inspected slaughter of 1,395,000 head was 16 percent smaller than in August 1935, 12 percent below the 5-year August average, and the smallest for the month since 1929. For the first 4 months, May to August, of the present marketing year the inspected slaughter of lambs and sheep was about 950,000 head smaller than for the same period in 1935 and was the smallest for the period since 1929. This points to a rather delayed market movement of lambs this year sinc the 1936 lamb crop was estimated about 2,500,000 head larger than that of 1935. This delayed movement can be accounted for by the rather unfavorable growing conditions in most of the early lambing areas and the generally very poor pastures in the Corn Belt since June. While there has been a rather heavy movement of breeding sheep

and lambs out of the severe drought area in the Northern Plains States, only a small proportion of these has as yet shown up in the market receipts. The greater part were shipped into other areas where feed was available, and most of the lambs will be marketed from these areas later in the season.

Contracting of feeder lambs in the Western Sheep States has been very limited during the last 3 months and the lamb feeding situation during the coming winter is as yet quite uncertain. A large number of lambs will move from the hands of growers in the Western Sheep States during the next 2 months, but there is little present information as to whether the proportion going to markets this year will be larger or smaller than usual. It seems probable, however, that a much larger than usual number of late lambs from the area west of the Rocky Mountains will be fed in that area.

The outlet for feeder lambs at mid-western markets has been fairly good for the past 2 months and prices have been well maintained. In view of the short supplies and high prices of feed grains, however, it is questionable whether a heavy run of feeder lambs at these markets duringthe next 2 months could be moved at present price levels.

BUTTER

Butter production is unusually low because of the drought, and prices have increased to the highest level for this season of the year since 1930. Even though butter prices have increased, farm prices of butterfat are relatively low compared to feed grains, and hogs. These price relationships together with short supplies of feed indicate relatively light production of butter, during the coming fall and winter. Indications point toward an improvement in demand which will be maintained during the winter. It seems probable that there will be a seasonal rise in butter prices during the remainder of the year and prices during the first half of 1937 will average higher than in the same period of 1936.

The price of 92-score butter at New York in August averaged 35.5 cents. This was 1.9 cents higher than a month earlier and 10.5 cents higher than a year earlier. The index number of butter prices which is adjusted for seasonal variation (1910-1914=100) rose from 118 in July to 124 in August. Low production and improvement in employment and payrolls were the principal factors resulting in the rise in prices.

In mid-August the farm price of butterfat of 35.7 cents was 12.8 cents higher than a year earlier and the highest for the month since 1930. The farm price of butterfat in August was equivalent to the farm price of 21.4 pounds of feed grains, compared with 19.4 pounds a year earlier, and the 15-year (1920-34) August average of 26.6 pounds. The farm price of butterfat is decidedly lower in relation to hogs than in 1934, and is relatively low compared with the long-time average. These price relationships and short crops indicate relatively light production of butter during the coming winter.

Production of creamery butter in July of 153,000,000 pounds was 17 percent less than a year earlier and the smallest for the month since 1923. The 18 percent decline in production from June to July was about twice as great as the usual seasonal decline. July production was only 92 percent as

great as the 1925-29 July average. Some drought areas have received rain in the last 6 weeks and there may be some recovery in production in the next month or two in those areas which have benefited most, but the short supplies of feed will curtail production during the winter.

Trade output of butter in July of 124,000,000 pounds was 6 percent less than a year earlier, and the smallest for the month since 1928. The retail price of butter in July was 32 percent higher than in July 1935, and the highest for the month since 1930. These changes in trade output and retail prices indicate that consumer expenditures for butter in July were 24 percent higher than in the same month of 1935. With the higher level of business and employment, consumer expenditures for butter during the coming winter will probably average decidedly higher than in the winter of 1935-36.

Storage stocks of butter on September 1 of 112,100,000 pounds were 45,000,000 pounds less than on the same date in 1935 and except for 1931 and 1932 the lowest for September 1 since 1923.

On September 3 the price of 92-score butter at New York was 9.5 cents higher than New Zealand butter in London. A year earlier the margin was only 3 cents.

Imports of butter for consumption in July of 308,000 pounds were larger than in July 1935. With prospects for short domestic supplies and relatively high prices, imports of butter during the winter months will increase and probably exceed those of 1935-36.

CHEESE

With the general reduction in dairy production cheese prices have increased to the highest level for this season of the year since 1929. The movement of cheese into consuming channels has been large even though prices have been higher. This strong demand together with the prospects for relatively low milk production indicate that there will probably be a seasonal rise in cheese prices during the remainder of the year, and prices during the winter of 1936-37 will probably average considerably higher than a year earlier, and the highest since the winter of 1929-30.

Cheese production has not been affected as much by the drought as has butter production. Production in July was only 5 percent less than peak production for the month a year earlier and the third highest on record for the month. The decline in production from June to July was somewhat greater than the usual seasonal decline but July production was 24 percent above the 1925-29 average for the month.

The price of cheese(twins) on the Wisconsin Cheese Exchange averaged 17.6 cents in August, 1.0 cents higher than in July and 3.7 cents higher than a year earlier. The change in prices from July to August was about the same as the usual seasonal change. Cheese prices will probably continue higher than a year earlier during the remainder of 1936 and early part of 1937.

Trade output of cheese in July of 57,700,000 pounds was a new high for the month and was 14 percent greater than a year earlier. Retail prices of cheese in cities in July were 10 percent higher than in July 1935. These changes indicate that consumer expenditures for cheese were 26 percent higher than a year earlier and the highest for the month since 1929. It seems probable that consumer expenditures for cheese will continue decidedly above the average for recent years during the coming fall and winter.

Net imports of cheese in July of 5,400,000 pounds compare with 2,700,000 pounds a year earlier and 5,400,000 pounds in the corresponding month of the 5-year period 1925-29. With the increase in domestic prices cheese imports will probably continue to show a considerable recovery from the low level of the last few years.

Storage stocks of American cheese on September 1 were 90.300,000 pounds compared with 92,800,000 pounds a year earlier and the 5-year average of 86,300,000 pounds.

POULTRY AND EGGS

Although market prices for eggs averaged higher in August than in July, prices declined slightly from the high point reached early in the month. Receipts continue to exceed those of a year earlier, but storage stocks are less than last year. With a continued strengthening of consumer demand a greater-than seasonal rise in egg prices is in prospect.

The farm price of chickens continued to decline seasonally but at a greater than average rate. Receipts of poultry are greatly exceeding those of 1935, and it is likely they will continue to do so. This will probably result in a continuation of the present greater than average decline and also in the accumulation of larger storage stocks on January 1, 1937 than those on January 1, 1936. This may result ih lower spring prices for poultry in 1937 than in 1936.

The market price of eggs (mid-western special packed) at New York averaged 29.6 cents per dozen in August compared with 30.0 cents a year earlier The farm price rose to 22.4 cents on August 15, slightly below that of a year earlier. The farm price of chickens on August 15, was 15.1 cents per pound, a 1-cent decline for the month compared with 14.1 cents a year earlier.

Receipts of eggs at the four markets in August were 921,000 cases compared with 788,000 cases a year before and a 5-year average of 883,000 cases. The continuation of an excess of receipts as compared with 1935 is rather unexpected and may have contributed to prevent the usual seasonal price advance in August.

Receipts of dressed poultry at the four markets in August were 26,000,000 pounds compared with 16,500,000 a year before and a 5-year average of 22,100,000 pounds. With an increase of 25 percent in the commercial hatch this year over last, poultry receipts during the remainder of 1936 will probably continue above those of 1935. The drought will accentuate this trend.

Storage stocks of case eggs on September 1 were 6,977,000 cases compared with 7,300,000 a year ago and a 5-year average of 7,800,000 cases. Storage stocks and consumer income are the dominating factors affecting the level of fall and winter egg prices.

Stocks of frozen poultry in storage on September 1 were 65,257,000 pounds compared with 34,900,000 pounds a year earlier and a 5-year average of 40,400,000 pounds. The into-storage season is just beginning.

WOOL

Trading in wool on the Boston market was fairly active in August and prices were firm. Mill consumption of wool in the United States in each of the first 7 months of 1936 exceeded average consumption in the corresponding months for the last 10 years. Since March, however, domestic mill consumption has been below that of corresponding months in 1935 when consumption was greater than at any time since 1923.

The new selling season in the Southern Hemisphere opened at Sydney, Australia on August 31. Prices of merino wool opened at from 5 to 10 percent higher than at the close of the previous season on June 18, and were about 2-1/2 percent higher than prices at the opening of the selling season a year earlier. Prices declined slightly after the opening days of the sale. Prospects for the near future in the Australian market are somewhat uncertain, since Japan, with large stocks of wool reported to be on hand, has not yet entered the market. Political and economic conditions in most continental European countries remain unsettlted, but stocks of raw wool on the basis of current indications are believed to be relatively low in all important consuming countries except Japan.

Wool prices in the domestic market were firm in August and the early part of September, with slight increases reported for some kinds of wool. Quotations for fine (64s, 70s, 80s) staple territory wool at Boston for the week ended September 5, averaged 89 cents a pound, scoured basis, the same as a month earlier. In the first week of September a year ago this class of wool averaged 77.5 cents a pound. Territory 56s combing wool averaged 78 cents a pound scoured basis for the week ended September 5, compared with 75 cents a month earlier, and 63 cents a year earlier. The United States average farm price of wool on August 15, was 27.2 cents a pound, compared with 27.5 cents on July 15, and 20 cents on August 15, 1935.

The rate of mill consumption of apparel class wool in the United States in July was slightly lower than in June and was about 16 percent lower than in July last year, according to reports received by the Bureau of the Census. After correction for seasonal changes however, consumption in July shows an increase, though small, for the third consecutive month. Total mill consumption of apparel wool from January to July of this year was 156,000,000 pounds, scoured basis, compared with 164,000,000 pounds in the same months last year and an average of 116,000,000 pounds for those months in the 5 years, 1930-34.

Information now available indicates little change in world wool supplies (production plus carry-over) for the year beginning July 1, 1936 compared with the preceding year. As yet very few estimates of wool production in the several important producing countries are available for 1936, but those which are available indicate a probable slight increase over last year in world production of wool. This increase, however, will be offset by a decrease in stocks of wool at the end of the 1935-36 season in nearly all countries.

Imports of apparel wool declined sharply in July and were smaller than in any month since last December. Imports were 6,895,000 pounds in July compared with 9,062,000 pounds in June and 2,263,000 pounds in July 1935. In the first 7 months of this year imports of apparel wool totaled about 69,000,000 pounds compared with only 17,000,000 pounds imported in the same months of 1935. Imports of carpet wool in the first 7 months of this year were 71,000,000 pounds compared with 82,000,000 pounds in the same months last year.

COTTON

Cotton prices moved downward during the month of August, but began to rise about the first of September in response to trade opinion that unfavorable weather conditions were reducing crop prospects in the western part of the Cotton Belt. However, on September 8 prices advanced sharply as a result of a much heavier reduction in the size of the crop than had been anticipated by the trade.

The prospective total world supply of American cotton for the current 1936-37 season of 18,221,000 bales is smaller than for any year since 1924-25, and is considerably below the average of recent years. Another important price strengthening factor is the continued high level of world mill activity and cotton consumption. Cotton consumption was very high in the United States during August. Consumption of all kinds of cotton in foreign countries is still running at a high rate, but the outlook for the consumption of American cotton is clouded by exchange restrictions and barter agreements and by prospects for increased supplies of foreign cotton.

The price of Middling spot cotton at the 10 markets averaged 12.07 cents in the month of August. This compares with 12.90 cents in July and 11.37 in August a year ago. The highest daily price for the month was 12.72 cents on August 1 and the lowest was 11.45 cents on August 29. The averages for the weeks ended September 5 and 12 were 11.68 and 12.30 cents, respectively. The average price of three types of Indian cotton expressed as a percentage of two types of American at Liverpool was 77.7 in August. This is slightly higher than the ratio has been in any of the last few months, but it indicates that the price of Indian cotton relative to American is still such as to encourage consumption of Indian at the expense of American. The ratio of Egyptian Uppers to American middling also increased in August and was the highest ratio for any month since January. However, the price of Brazilian Sao Paulo Fair continued to weaken relative to American. The ratio of 93.7 for August compares with 98.3 in August of last year and an average of 96.8 in the 10 years ended 1932-33.

The September 1 report of the Crop Reporting Board estimates the new crop at 11,121,000 bales of 478 pounds net. This is a reduction of 1,360,000 bales from the August 1 estimate, and represents a declind in estimated average yield per acre from 199.7 pounds to 179.2 pounds. This substantial downward revision in estimated production resulted from a marked deterioration in the condition of the crop in all the important producing states except North Carolina, South Carolina and Georgia. In the territory from Mississippi and Tennessee to western Texas and Oklahoma very drastic deterioration occurred during August as a result of extremely hot, dry weather. These unfavorable developments much more than offset the moderate improvement in conditions in North Carolina, South Carolina and Georgia.

The extimate of a crop of 11,121,000 bales and an average yield per acre of 179.2 pounds compares with an actual production and yield for last year of 10,638,000 bales and 186.3 pounds, respectively. Indicated production plus the trade estimate of world carry-over of 7,100,000 bales gives a prospective total world supply of American cotton for 1936-37 of 18,221,000 bales. This is the smallest supply since 1924-25. It is 11 percent less than the average supply of 20,437,000 bales in the 10 years from 1923-24 to 1932-33, and it is nearly 22 percent less than the average supply of 23,296,000 bales from 1931-32 to 1935-36.

Domestic mill activity continues to be very high. Consumption in August amounted to 574,289 bales against 408,325 bales in August of last year and an average of 470,000 bales for the month during the 10 years from 1923-24 to 1932-33. According to reports of the New York Cotton Exchange Service, sales of some lines of cotton goods were above and some below the current high rate of output, but the large volume of unfilled orders has prevented any significant accumulation of stocks. Conditions in the wholesale and retail trade are reported to be favorable. In foreign countries mill activity and cotton consumption are at comparatively high levels, although exchange restrictions continue to be a hampering influence in Germany and Italy. In the United Kingdom, mill activity in August continued to be generally satisfactory with yarn sales about equal to current output. Japanese yarn production of 291,818 bales in August was the highest output for the month on record.

Exports of cotton from the United States were 182,487 bales in August compared with 241,484 in August 1935 and an average of 305,000 bales in the 10 years ended 1932-33. However, it is reported by the trade that sales of new crop cotton for export during the month were greater than in the same month last year. Important factors which appear to be unfavorable to cotton exports during the season are the continued restriction of cotton imports by Germany, Italy, and other countries, the probability that these countries will continue to secure a large share of their cotton supplies through barter agreement, and the movement into trade channels of the large cotton crops of China, Brazil, Argentina and Peru. Exports should be encouraged, however, by the relatively large consumption of all growths of cotton throughout the world and by the fact that trade estimates indicate that stocks of American cotton in foreign countries are below normal.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 2/		Commodity prices: Foreign 4/: In foreign currency	Interest rates in percent 5/	Industrial stock prices in dollars 6/
	1923 - 25 = 100				1910-14 = 100	1926 = 100	1926 = 100		
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	---	3.90	100
1925	104	101	99	156	151	104	106	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	97	4.01	176
1928	111	102	99	149	141	97	97	4.71	226
1929	119	109	105	146	139	95	94	5.74	311
1930	96	89	92	126	126	86	83	3.56	236
1931	81	68	77	87	107	73	73	2.58	139
1932	64	46	64	65	95	65	69	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935 -									
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	70	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	75	85	109	118	80	73	.75	135
Nov.	97	74	85	108	118	81	74	.75	144
Dec.	104	77	85	110	118	81	74	.75	142
1936 -									
Jan.	98	72	83	109	118	81	74	.75	146
Feb.	94	72	83	109	118	81	74	.75	152
Mar.	93	76	84	104	116	80	74	.75	156
Apr.	100	78	85	105	116	80	74	.75	156
May	101	79	86	103	115	79	74	.75	149
June	103	79	86	107	116	79	75	.75	155
July	108	78	87	115	118	80	76	.75	162
Aug.				124	119	81		.75	166

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Review of Economic Statistics, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

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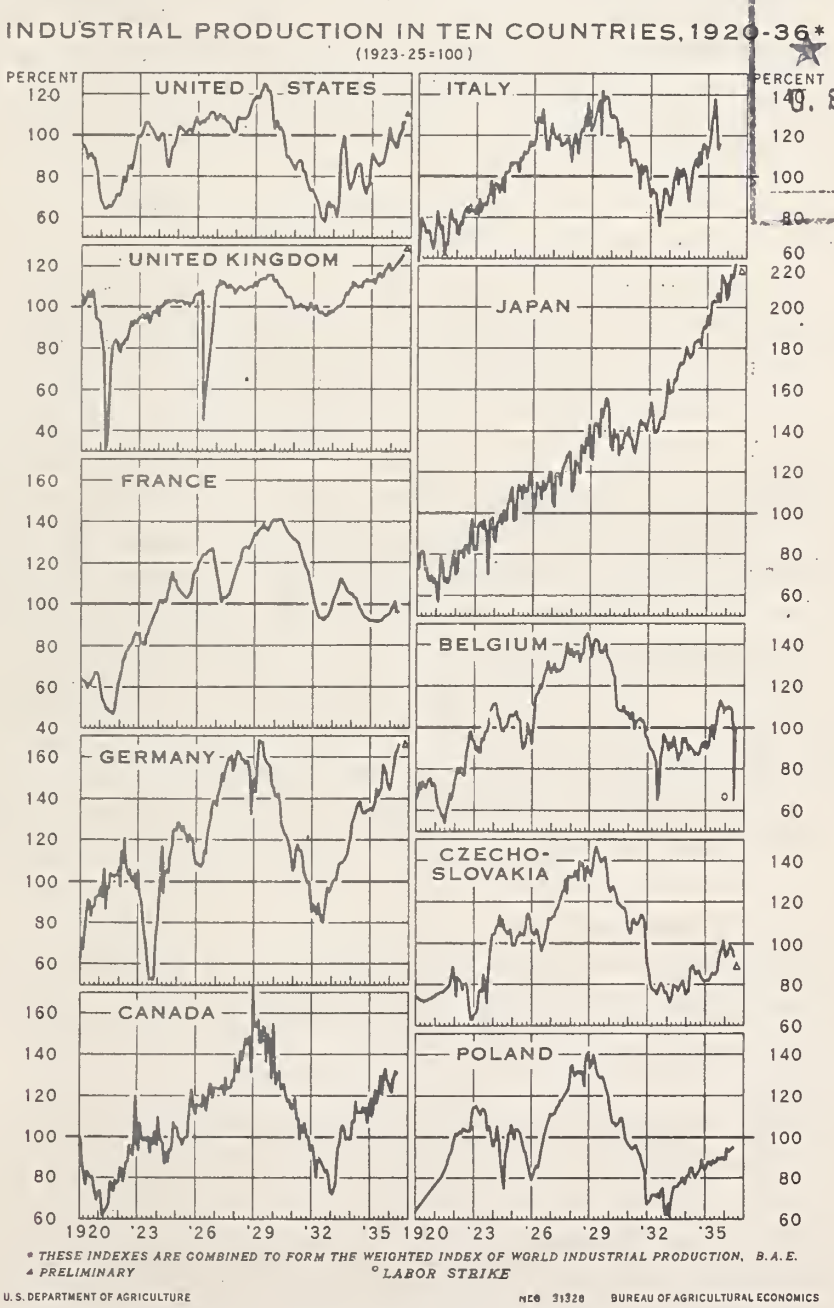
The PRICE SITUATION

OCTOBER 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON



It is expected that the recent devaluation of Gold Bloc currencies, together with some removal of quota restrictions and lowering of tariff rates, will result in improved economic conditions in the countries affected, and eventually will contribute to greater international trade and a broader foreign market for American agricultural products. Those countries which devalued their currencies several years ago have experienced marked recovery in economic conditions during the last few years, while countries not taking such action have shown relatively small increases in industrial activity.

FARM PRICES

The general level of farm prices, judging by the usual relationship between farm and market prices, appears to have declined slightly since mid-September. Slight advances in prices of wheat, cattle, and potatoes probably were not sufficient to offset declines in the prices of cotton, corn, hogs, lambs, butter, and cheese.

Wheat prices in the United States, except for white wheat in the Pacific Northwest, continue considerably above an export basis. This is to be expected during most, if not all, of the 1936-37 season because supplies of hard red and Durum wheats will be under domestic requirements. World prices this year are materially higher than in 1935-36 as a result of smaller world supplies. The feed situation was at least temporarily relieved by general rains over practically all of the drought area during September. Feed grain prices declined during the last half of September and the first week of October in response to weaker demand and improved prospects for production. Changes in feed grain prices during the last 3 weeks indicate that weather conditions this fall and winter will have an important bearing on the trend of both grain and hay prices.

Because of short feed supplies, there will be a marked tendency to market hogs earlier than usual this fall and winter, thus causing slaughter supplies from October to mid-January to be large in relation to the remainder of the 1936-37 marketing year. Some further seasonal decline in prices is in prospect, but from December through March the price movement is expected to be generally upward. It is expected that the supplies of well-finished fed cattle will begin to decline rather sharply by November, and any considerable decrease may be reflected in a rather sharp advance in prices. Prices of other kinds of slaughter cattle are expected to be fairly well maintained near September levels during the balance of this year, but stocker and feeder cattle prices may weaken further, depending somewhat upon weather conditions during the next 2 months. Supplies of lambs and sheep in September were large relative to other months in the current marketing year beginning last May, and prices of slaughter lambs declined rather sharply during the latter half of September and early October.

Butter and cheese prices have declined slightly since mid-September because of the improved prospects for total dairy production during the fall. Although present prices are the highest in several years, it seems probable that prices will rise further during the winter, and for the winter and early spring of 1936-37 will average the highest since the beginning of the depression.

The United States potato crop improved slightly during September, but it is still the smallest since 1926 and will be the smallest per capita supply on record. Stronger markets developed in the principal terminals and at shipping points the second week of October, and it seems likely that the season low point in potato prices has been passed.

Cotton prices declined during the first 10 days of October owing in part to improvement in the condition of the new crop. Important price strengthening factors during recent weeks have been the very high degree of activity prevailing in the domestic textile industry and the comparatively small world supply of American cotton, even after allowing for any possible improvement in crop prospects.

The index of prices received by farmers in mid-September was 124 percent of the pre-war average. This is exactly the same as the index for August and compares with 107 for September 1935. The index of prices paid by farmers in September was about the same as in August, or 127 percent of the pre-war average. This compares with 123 percent in September 1935. The ratio of prices received to prices paid by farmers remained at 98 from August to September, which compares with 87 in September 1935.

WHOLESALE PRICES

The general level of wholesale prices showed little change from August to early October, remaining at about 119 percent of the 1910-14 average, the highest since October 1930. This steadiness is expected to continue for the balance of the year.

Prices of farm products and foods have increased slightly in recent weeks over the August average, with higher prices of grains, cereals, fruits and vegetables offsetting declines in prices of livestock, poultry, and meats, prices of commodities other than farm products and foods, after a slight recession in early September advanced a little in the first week of October to the highest point since December 1930. The greatest price rise in these groups in recent weeks occurred in chemicals and drugs, which have gained nearly 6 percent since June. Prices of textiles and miscellaneous commodities also advanced moderately since June, with smaller gains in all other specified groups.

Prices of raw materials and semi-manufactured goods are higher compared with a year ago and also compared with 2 years ago; prices of finished goods are lower than a year ago, but higher than they were 2 years ago. Prices of raw materials in the last 3 years have increased twice as much as have prices of semi-manufactured articles or finished goods, prices of raw materials having gained approximately 70 percent since early 1933.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the first week in October stood at 97.8 percent of the pre-war average, compared with 91.8 for the corresponding week 1 year ago, and 85.1 for that of 2 years ago.

The movement of wholesale prices in the major foreign countries was generally upward in September, with only two of the major foreign countries (Canada and Germany) deviating from the general upward trend. Prices in Canada, which in August were at the highest level in over 5 years, received a slight set-back in early September, but by mid-September Canadian prices had almost regained the August level. Prices in Germany, which had been rising steadily since January, reached the high point of the year in mid-August, but thereafter showed some decline.

The combined index of wholesale prices in the currencies of seven foreign countries, which are important markets for American farm products, advanced in August to 77 percent of the 1926 average, with all seven countries showing increases over prices for July.

The recent currency devaluation among the gold bloc countries is of general interest to agriculture. In less than 2 weeks (September 26 - October 9) France, Italy, Switzerland, the Netherlands, and Czechoslovakia abandoned gold payments at the former parities. Devaluation of currencies of these countries was accompanied by a weakening in the United States prices of hides, coffee, rubber, sugar, and burlap; prices of cotton and some other raw materials entering into world trade did not weaken. Recent efforts looking to the stabilization of important world currencies at approximately the existing parities is a favorable factor for continued strength in the world price structure.

BUSINESS CONDITIONS

The level of industrial activity in September was maintained at approximately the same level as in July and August. The upward trend of automobile production in prospect, together with the large volume of orders on hand with steel and textile manufacturers, and further expansion in industrial output in several other industires assure a continuation of industrial activity at least at present levels throughout the remainder of 1936. The high level of contract awards in recent months indicates that building construction in the next few months will be substantially higher than in the corresponding period a year ago.

The increase in industrial production and in building activity is being accompanied by increased employment and payrolls. The index of incomes of industrial workers has tended to move upward since February 1936 and is now at the highest level since 1930.

The devaluation of their currency by several European countries in the past month has relieved the tense monetary situation in Europe, and the recent steps which have been taken towards stabilization of the monies of the world are designed to stimulate foreign trade and stabilize international exchange. In France and Italy tariffs have been reduced and in some cases quota restrictions have been removed in an effort to lessen the advance in domestic prices and to stimulate the foreign trade of those countries.

Since mid-September automobile output in the United States has increased rapidly and production in the fourth quarter of 1936 is expected to be at least as great as in the same period of 1935. The backlog of orders for many types of steel products is the largest for several years and the outlook is for a continued high rate of activity in the steel industry for several months. Replacement of equipment by railroads, heavy retooling by many industries, and increased building activity are also stimulating output in other durable goods industries.

Cotton textile activity in recent months has been the highest for similar months since 1933 and in August was the highest since 1927. An unusually large volume of sales in September assures many mills of continued high rate of activity for several months. Rayon mill activity has fallen off slightly from the high level reached in August. Activity in wool textiles during the first 8 months of 1936 was only about 8 percent below the unusually large output of last year but stocks of wool textiles have been increasing and some further decline in output may occur during the remainder of the year.

Building contract awards declined slightly from August to September. However, total contracts awarded in September were about 40 percent higher than in September last year and for the first 9 months of 1936 they were 71 percent above the same months of 1935. Because of the lag between the awarding of contracts and the start of actual construction this increase in contracts awarded indicates a marked improvement in building activity during the next few months compared with a year earlier.

Retail trade increased more than seasonally from August to September. Department store sales after seasonal adjustment were about 1 percent higher than in the preceding month. Rural retail sales advanced 10 percent and variety store sales 6 percent. Mail order house sales also made more than the usual seasonal increase from August to September.

The recent devaluation of currency in several European countries and the stabilization agreement, together with the lowering of tariffs and removal of quotas on some commodities in France and Italy, are all forward steps toward relaxing the handicaps to increasing world trade. Any increase in world trade is likely to be accompanied by some increase in the foreign demand for American farm products, particularly if it is accompanied by further business expansion in foreign countries. During the last month industrial activity in most foreign countries has continued to improve. In Great Britain many industries are operating at capacity and the shortage of skilled labor in some industries is preventing an even more rapid increase in industrial output. Higher prices for raw materials and food stuffs has increased the purchasing power of countries producing those products and has especially benefited the Scandinavian countries, Argentina, and the British dominions. Business activity in Japan has continued the upward trend of the past 4 years and China's foreign trade is gradually increasing.

WHEAT

Wheat prices in the United States, except for white wheat in the Pacific Northwest, continue considerably above an export basis. This is to be expected during most, if not all, of the 1936-37 season because supplies of hard red and Durum wheats will be under domestic requirements. White wheat from the Pacific Northwest is again moving into export channels and at the highest prices since 1930. World prices this year are materially higher than in 1935-36 as a result of smaller world supplies. The absence of large world carry-over stocks this year suggests that prices will be more sensitive to new Southern Hemisphere crop developments than has been the case in recent years.

The sharp advances in domestic wheat prices which began the first part of September continued most of the month, reflecting an even sharper rise in prices at Winnipeg and Liverpool. The smaller Canadian crop and the disappointing yields and unfavorable harvesting weather in European importing countries, in the face of export supplies consisting largely of high-quality Canadian wheat, were largely responsible for the advance. During the last week in September the market turned down temporarily, influenced by some improvement in crop conditions in the Southern Hemisphere and the adjustments in the international exchange situation. However, thus far this month prices advanced again. The average United States farm price of wheat for September 15, before prices advanced from the mid-August levels, was 104.3 cents per bushel compared with 105.1 cents a month earlier, and 85.2 cents in September 1935. The average price of all classes and grades at six markets for the week ended October 10 was 128 cents per bushel compared with 119 cents for the week ended September 5, 1936, and 112 cents for the week of October 12, 1935.

The spread between United States markets and Liverpool has been narrower this year than during the past 3 years. This has been largely because Liverpool prices have reflected the relatively large proportion of high-priced Manitobas in its takings. United States prices recently, however, have increased relatively less than foreign prices. Chicago futures are currently about 6 to 7 cents above Winnipeg futures, whereas a year ago they were about 12 to 14 cents, and 2 and 3 years ago they were about 27 to 30 cents above. No. 2 Hard Winter at Kansas City is about 16 to 18 cents above No. 3 Manitoba Northern, compared with about 35 to 38 cents above a year ago, about 17 cents 2 years ago, and 25 to 29 cents 3 years ago.

The current year's wheat production in the United States is now estimated at 627,000,000 bushels, which is ample to take care of domestic utilization under normal conditions. However, during recent years, wheat feeding has been very heavy. In the last 6 years wheat growers have fed between 84,000,000 and 174,000,000 bushels of wheat annually compared with an average of less than 50,000,000 bushels during the preceding 6 years. Preliminary estimates of total supplies (carry-over plus production) by classes, compared with last year, indicate reductions in hard red spring and durum wheat of 46,000,000 and 12,000,000 bushels, respectively, but increases of 40,000,000 and 15,000,000 bushels, respectively, in hard red winter and white wheats. Supplies of soft red winter are about the same as a year ago. The increased supplies of other classes will partially offset the shortage in hard red spring wheat. While it is necessary to import hard red spring and durum wheat this season, it is expected that net imports will not be as large as in 1935-36.

Total world supplies of wheat, excluding Russia and China, in 1936-37 are estimated at 4,179,000,000 bushels which represents a decline of approximately 295,000,000 bushels compared with 1935-36. The reduced supplies are a result of a very short crop in North America and North Africa and a general reduction in stocks in nearly all countries. Wheat stocks at the beginning of the season were the smallest since 1926 and, with prospective utilization in excess of production, they are expected to be even further reduced July 1, 1937. While the beginning carry-over will be small, present winter acreage with near normal yields would again produce an excess over world requirements in 1937 and stocks at the end of the year would again increase.

CORN AND OTHER FEED GRAINS

General rains fell over practically all of the drought area during September, reviving pastures, increasing forage supplies, and at least temporarily relieving the feed situation. Feed grain prices declined during the last half of September and the first week of October in response to weaker demand and improved prospects for production. The weekly average price of No. 3 Yellow corn at Chicago declined 7 cents from the third week in September to the first week in October. No. 2 White oats at Chicago advanced about 2 cents during September, then lost most of this gain the first week in October. Barley prices moved independently higher, being supported by an active demand from breweries.

Changes in feed grain prices during the last 3 weeks indicate that weather conditions this fall and winter will have an important bearing on the trend of both grain and hay prices. Another severe winter would necessitate heavy feeding of limited feed supplies, force further liquidations of livestock, and give support to feed prices. A mild winter, on the other hand, will enable farmers in many sections of the drought area to carry their livestock on winter pasture with light feeding of roughage and grain.

Estimated production of feed grains increased 2.7 percent during September, largely as a result of improved prospects for the 1936 corn crop. October 1 oats and grain sorghum estimates were also slightly higher than the September 1 estimates; the barley estimate was slightly lower. Indicated production of corn on October 1 was 1,509,000,000 bushels, barley 144,000,000 bushels, oats 784,000,000 bushels, and grain sorghum 61,000,000 bushels. Total production of feed grains based on these estimates will approximate 60,000,000 tons, 11 percent more than in 1934 but 35 percent less than last year and 40 percent below the 1923-32 average.

The United States average farm price of corn on September 15 was 104.7 cents, which was about the same price per bushel as wheat. However, in sixteen States, including three Corn Belt States, Missouri, Kansas, and Nebraska, corn was substantially higher than wheat. The amount of wheat fed during the present marketing year is expected to be about the same as the 95,000,000 bushels fed last year.

The margin between cash corn prices at Chicago and Buenos Aires has been greater than 50 cents since last July, which is more than sufficient to allow for shipment of Argentine corn to interior United States markets. Importations from Argentina have increased substantially since early August, but are still running below the period of heaviest shipment in 1935. Total August importations were reported at 1,549,000 bushels compared with 8,554,000 bushels for August last year and 195,000 bushels in August 1934.

Supplies of grain per grain-consuming animal during the current marketing year will be slightly larger than 2 years ago. The number of hay-consuming animals is expected to be smaller during the present marketing year than 2 years ago, while hay production is estimated to be 20 percent higher than the 1934 production.

POTATOES

The United States potato crop improved slightly during September. On the basis of October 1 conditions, the crop is indicated to be about 322,263,000 bushels, or about 65,000,000 bushels less than in 1935 and 50,000,000 below the 1928-32 average production. As the indications now stand, this year's potato crop is the smallest since 1926, when 321,607,000 bushels were harvested, and is the smallest per capita supply on record.

For the 37 late and intermediate States the crop is indicated to be 296,367,000 bushels, or 58,000,000 less than in 1935 and 43,000,000 bushels less than the 1928-32 average. The 1936 crop in this group of States is also the smallest since 1926. The supply marketed from these States has an important influence on the fall, winter, and early spring prices. If the supply is short, as it is this season, price advances may be expected from October to April, or until new crop supplies arrive on the market in sufficient quantities to affect the price situation.

Farm and wholesale prices of potatoes normally reach a seasonal low point in October, after diggings are fairly well completed. By this time the situation is generally better understood. There is less hauling direct from fields to shipping centers and to market, and farmers are less disposed to sell portions of the crop going into storage except at advanced prices.

Stronger markets developed in the principal terminals and at shipping points the second week of October, and it is quite likely that the season's low point in price has been passed. Wisconsin round whites were selling at $1.70 - $1.90 per 100-pound sack on the Chicago carlot market near the close of the second week of October. The preceding week Wisconsin Cobblers sold at $1.65 - $1.75. Idaho Russet Burbanks recently reached a top of $2.35 per 100-pound sack in Chicago, showing advances of 10 to 15 cents within a few days' time. These prices compare with 80 to 90 cents for Wisconsin round whites and $1.50 - $1.75 for Idaho Russet Burbanks during the corresponding week a year ago. The New York market recently quoted l.c.l. prices of Maine Green Mountains and Long Island Cobblers at $1.75 - $2.15 per 100-pound sack, compared with 85 cents to $1.15 a year ago.

Since early October, carload f.o.b. shipping point prices at Presque Isle, Maine, have advanced from $1.30 to $1.40 - $1.45 sacked per hundredweight. Recent quotations at shipping points in Wisconsin were $1.50 - $1.55 per 100-pound sack, carloads f.o.b. usual terms. On corresponding dates in October 1935, f.o.b. prices at Waupaca, Wisconsin, held around 65 cents per sack, and shippers in Maine were receiving about 50 cents per 100 pounds of Green Mountains.

The average United States farm price of potatoes was estimated to be about $1.14 per bushel on September 15, as against $1.28 on August 15, about 48 cents per bushel on September 15, 1935, and 74 cents the September average for 1909-13.

Shipments by rail and boat during the week ended October 10 totaled about 5,200 cars, compared with 4,185 a week earlier and 4,880 during the corresponding week in 1935. The season's total through October 10 was 84,156 cars. Up to the corresponding date last season, about 76,855 cars had been shipped.

FLUE-CURED TOBACCO

Warehouse auction prices to producers of flue-cured tobacco averaged 21.6 cents per pound during September, compared with 21.7 cents during August, and 18.5 cents during September of the previous year. Auction sales for the 1936 season to October 1, compared with the same period for earlier years, are as follows:

Tobacco, flue-cured, types 11, 12, 13, and 14: Production, sales to October 1, and average auction price to producers, 1930-36

Year	Production	Season's sales to Oct. 1: Quantity sold	Season's sales to Oct. 1: Percentage of production	Season's sales to Oct. 1: Price
	1,000 pounds	1,000 pounds	Percent	Cents
1936	1/ 686,430	294,358	43	21.6
1935	811,195	359,011	44	19.3
1934	556,730	298,427	54	24.9
1933	733,379	207,647	28	12.0
1932	373,705	122,944	33	11.5
1931	669,532	231,095	35	9.1
1930	865,171	297,372	34	11.0

1/ October 1 estimate.

The markets for the South Carolina Belt (type 13) opened August 13. The average price for August was 23.2 cents per pound; for September, 21.1 cents and for the season to October 1, 21.8 cents. The eastern North Carolina Belt (type 12) opened its markets September 1 with an average price for the month of 21.5 cents per pound. The markets in the Middle Belt (type 11b) opened September 22 with sales for the remainder of the month amounting to 13,187,000 pounds at an average price of 24.8 cents.

The 1936 supply of flue-cured tobacco now appears to be about 1,557,700,000 pounds (farm sales weight) which is less than 1 percent below the 1935 supply, but 18.0 percent above the 1934 supply. The flue-cured exports for the first 2 months of the fiscal year 1936-37, were 34,354,000 pounds and for the same period in 1935-36 they were 24,384,000 pounds. The larger part of the domestic consumption of flue-cured tobacco is in the manufacture of cigarettes. Cigarette consumption, as shown by tax-paid withdrawals for the first 8 months of the calendar year 1936, reached a record high of 100,821,267,000, which is 11.1 percent above that of the same period in 1935.

HOGS

Hog prices declined after mid-September in response to a seasonal increase in marketings, but near the end of the month and during the early part of October they made some recovery. Because of short feed supplies there will be a marked tendency to market hogs earlier than usual this fall and winter, thus causing slaughter supplies from October to mid-January to be large in relation to supplies during the remainder of the 1936-37 marketing year. Some further seasonal decline in prices is in prospect, but from December through March, the price movement is expected to be generally upward.

The weekly average price of all hogs at Chicago declined from $10.26 per 100 pounds, the 1936 summer peak, recorded the second week in September, to $9.38 in the fourth week of the month but recovered to $9.80 in early October. Prices of butcher hogs started downward in late August and dropped steadily for 5 weeks before the decline was checked, whereas prices of packing sows did not begin to decline until mid-September. Decreasing supplies of the latter, after mid-August, and increasing marketings of 1936 spring pigs accounted for the differences in the price movements. The September average of hog prices at Chicago was $9.89 compared with an average for August of $10.06 and an average for September last year of $10.95.

Hog slaughter under Federal inspection during September, totaling 2,403,000 head, was 6.6 percent larger than that in August and 65 percent larger than the unusually small slaughter of September last year. Compared with the 5-year September average, however, the total was nearly 10 percent smaller. The increase over a year earlier was relatively greater than the increases recorded in other recent months and undoubtedly reflected liquidation of both packing sows and early spring pigs.

Marketings of packing sows during July and August were unusually large in relation to the number of other hogs marketed at that time, but after mid-August the proportion of sows in the total dropped sharply and that of new-crop hogs increased. This change in the proportionate distribution was reflected in the average weights of hogs slaughtered. In August the average weight for the seven principal markets combined was 256 pounds, whereas in September it was only 232 pounds, or 18 pounds lighter than the September average of the previous year.

There was little change in the hog-corn price ratio in recent weeks and it still continues unfavorable for hog feeding. The monthly average for September, based on Chicago prices was 8.8 compared with an average of 8.9 for August and 13.2 in September 1935. The ratio is expected to continue relatively unfavorable for hog producers until at least the spring of 1937 but probably will become more favorable after that time.

Wholesale prices of fresh pork dropped sharply during the second half of September because of increased supplies, but the decline was checked near the end of the month and a slight recovery occurred in early October. Further declines are anticipated as prices are adjusted to the seasonal increase in hog marketings during the next several weeks. Prices of cured pork and lard also declined rather sharply at Chicago during September and in early October, but held fairly steady at New York until near the end of the period, when some weakness developed. Prices of cured pork usually decline from early fall until late February and rise during the spring and summer.

Storage holdings of pork and lard were further reduced during September, at about the usual seasonal rate for that month. Stocks of pork on October 1, totaling 361,651,000 pounds, were about 14 percent smaller than those reported September 1, and 25 percent less than the 5-year average at the beginning of October. However, they were 30 percent larger than the unusually small stocks on hand on October 1, 1935. Lard stocks, totaling 101,634,000 pounds, were 8 percent smaller than those of September 1, about equal to the 5-year average for October 1, and 124 percent greater than the very small stocks on hand a year earlier. The heavy slaughter of packing sows in recent months has tended to prevent lard stocks from decreasing as much as they usually do during August and September. Because of the prospect of small lard yields during most of the 1936-37 hog marketing year, there may be a greater than usual tendency to accumulate increased stocks during the coming winter.

CATTLE

The prices of slaughter cattle continued to strengthen during September, the average weekly price of choice steers at Chicago the last week in the month reaching the highest point since late in April and the average price of all beef steers the highest since January. Prices of better grades of butcher cattle advanced with steers, but low-grade cows and heifers weakened during the latter part of the month. Part of the loss was regained during the first week in October, however. Prices of stocker and feeder steers, after advancing during the first half of the month, weakened during the second half, but were at a little higher level at the end of September than a month earlier.

The average monthly price of beef steers at Chicago for September was $9.16 compared with $8.46 in August and $10.36 in September 1935. The September 15 farm price of beef cattle was $5.88 compared with $5.71 a month earlier and $6.41 a year earlier. Prices of veal calves advanced rather sharply during September and later in the month reached the highest level since February. The September 15 farm price of veal calves was $7.42 compared with $7.05 a month earlier and $7.64 a year earlier.

Slaughter of cattle and calves in September continued very large. Although receipts of cattle at seven leading markets were little different from those of September 1935, inspected slaughter amounting to 1,072,000 head was 23 percent larger than in September 1935, 37 percent above the 5-year September average, and the second largest commercial slaughter for the month on record, being exceeded only in 1918. Inspected slaughter of calves of 583,000 head was 27 percent larger than a year earlier and the largest for the month on record. The proportion of well-finished cattle in the slaughter supply was unusually large. The receipts of choice steers at Chicago were not only much the largest for the month but the largest for all months for the 15 years for which records are available. Likewise, the proportion of all native beef steers, grading good and choice, at Chicago, was the largest for any month on record. Shipments of stocker and feeder cattle from 12 leading markets into the Corn Belt States in September were a little smaller than in September 1935 and about the same as in 1934. The Surplus Commodities Purchase Corporation found it necessary to buy only very few cattle in September as the prices of low-grade cattle held up well at all markets.

Slaughter of cattle and calves is expected to continue large during the balance of the year, with the combined yearly total of inspected slaughter the largest on record for commercial slaughter. By November it is expected that the supply of well-finished fed cattle will begin to decline rather sharply. In view of the strong market for the large supply in September, any considerable decrease may be reflected in a rather sharp advance in prices. Prices of other kinds of slaughter cattle are expected to be fairly well maintained near September levels during the balance of this year, but stocker and feeder cattle prices may weaken further, depending somewhat upon weather conditions during the next 2 months.

LAMBS

Prices of slaughter lambs were maintained fairly well during the first half of September, but declined rather sharply during the latter half, and early in October the top on lambs at Chicago dropped below $9.00 for the first time since the middle of 1935. On the other hand, prices of feeder lambs held up fairly well, especially for the better grade of heavier average weights, and the spread between slaughter lamb and feeder lamb prices narrowed materially. Prices of slaughter ewes changed little during September.

The average price of good and choice slaughter lambs at Chicago for September was $9.38 compared with $9.53 in August and $9.34 in September 1935. The September 15 farm price of lambs was $7.43 compared with $7.59 a month earlier and $7.23 a year earlier.

Market supplies of lambs and sheep in September were large relative to other months in the current marketing year beginning last May. Receipts at seven leading markets were 12 percent larger than in September 1935, and inspected slaughter of 1,592,000 head was 3 percent larger than a year earlier and about the same as the 5-year average. September is the first month during the present marketing year in which slaughter exceeded that of the corresponding month of 1935. The market supply was of rather poor average quality and included quite a few light-weight lambs which came originally from the drought area of the Northern Great Plains, but many of which had been shipped to eastern points for summer pasture. Such lambs sold mostly for feeding purposes at prices $2.00 or more below those for feeders of good weights and quality. Shipment of feeder lambs from 12 leading markets in the Corn Belt States were 30 percent larger in September this year than last but 23 percent smaller than in September 1934.

In view of the large increase in the 1936 lamb crop in the Western States, and the relatively small summer marketings of lambs, supplies of grass lambs in October and November are expected to be larger relative to other months during the current marketing year. The percentage of lambs in feeder condition probably will continue fairly large in these months. Prices of slaughter lambs will probably not change much from the level reached early in October, but some weakening in prices for feeder lambs may take place.

BUTTER

Butter prices have declined slightly since mid-September in contrast to the seasonal increase which usually occurs at this time of the year. In the last 2 months there have been widespread rains in the important dairy sections, pastures have improved, and production has been considerably larger than appeared probable earlier in the season. Even though fall production may be relatively large, winter and early spring production in 1937 is expected to be light because of the short supplies and relatively high prices of feed. Low storage stocks of butter, prospects for low production, and increased consumer purchasing power indicate that even though present prices are the highest in several years, there will probably be a rise in butter prices during the remainder of the year, and prices during the winter of 1936-37 probably will average the highest in 7 or 8 years.

The price of 92-score butter at New York averaged 36.0 cents for the week ended September 12, and 33.5 cents for the week ended October 3. In September the price averaged 35.0 cents. This was 0.5 cents less than in August, but 8.9 cents more than that of a year earlier and the highest for the month since 1930.

The farm price of butterfat in mid-September of 35.5 cents was about the same as that of a month earlier but 10.6 cents higher than in the same month of 1935. The farm price of butterfat in September was equivalent to the farm price of 21.0 pounds of feed grains, compared with 21.7 a year earlier, and the 15-year (1920-34) average for September of 28.9 pounds. The relatively low price of butterfat compared with prices of feed grains, together with the shortage of feeds, are the principal factors indicating relatively light production during the coming feeding period.

The production of creamery butter in August of 139,400,000 pounds was 12.5 percent less than in the same month of the preceding year and the lowest for the month since 1930. The decline of 8.3 percent in production from July to August was decidedly less than the usual seasonal decline, and the index number of production, which is adjusted for seasonal variation, rose from 91 in July to 96 in August. With the widespread rains in many of the important dairy areas, it seems probable that fall production may be relatively high compared with summer production, but during the coming winter production will probably be relatively low.

Trade output of butter in August was 13.5 percent less than that of a year earlier and the smallest for the month since 1925. Retail prices, however were 37 percent higher than in August 1935. These changes indicate an increase of 21 percent in consumer expenditures for butter from the corresponding month of 1935. With improvement in employment and pay rolls it seems probable that during the coming winter consumer expenditures for butter will continue decidedly higher than in the winter of 1935-36.

Storage stocks of creamery butter on October 1 were 40,000,000 pounds less than those of a year earlier. The decline in stocks, together with prospects for low production, indicates smaller domestic supplies during the coming winter than in 1935-36, or for several preceding years.

In early October the price of 92-score butter at New York was 11 cents higher than that of New Zealand butter in London. Butter from non-British countries has to pay an import duty of 3.3 cents per pound when imported into England. Russian butter was recently offered for sale in New York at 18.0 cents per pound c.i.f. The offered price plus the duty would be 32.0 cents. The London quotation as of September 24 for the same grade of butter was equivalent to 21.3 cents, which, after deducting the 3.3 cents duty, would leave the price realized in London at 18.0 cents, the same as the offered price in New York. This price comparison indicates that any further rise in domestic prices in relation to London will probably make the price margin wide enough to stimulate imports from non-British countries. In August imports amounted to 1,200,000 pounds.

CHEESE

Cheese prices declined slightly from early September to early October because of the improved prospects for total dairy production during the fall. Cheese production in August was less than that of a year earlier, but high compared with that of other years. Stocks are less than a year ago but are still above average. The movement of cheese into consuming channels has been high and will probably remain high during the coming winter. Even though present prices are the highest in several years, it seems probable that prices will rise further during the winter and, for the winter and early spring of 1936-37, will average the highest since the beginning of the depression.

Cheese prices (twins) on the Wisconsin Cheese Exchange declined 1/2 cent a pound from early September to early October. The price in September averaged 17.3 cents per pound compared with 17.6 cents a month earlier and 14.1 cents a year earlier.

Cheese production in August of 57,700,000 pounds was 13.6 percent less than a year earlier, but, except for 1935, was the highest on record for the month. The 13-percent decline in production from July to August was about the same as the usual seasonal decline.

The movement of cheese into consuming channels in August of 53,900,000 pounds was 8.9 percent less than in August 1935, but 22 percent above the 1925-29 August average. Retail prices of cheese in August were 15 percent higher than a year earlier. These changes indicate an increase of 5 percent in consumer expenditures for cheese. Cheese consumption during the coming winter will probably continue relatively high, even though retail prices are higher than they were a year ago.

Storage holdings of American cheese on October 1 of 98,500,000 pounds compare with 102,700,000 pounds a year earlier and the 5-year average of 90,000,000 pounds.

Imports of cheese have increased. Total imports for the first 8 months of 1936 were 36,300,000 pounds compared with 30,400,000 pounds in the same months of 1935. Higher domestic prices have stimulated imports.

POULTRY AND EGGS

September market prices of eggs usually average above those for August, but there was no such advance this year. With receipts less than a year earlier and storage stocks lower, however, prices resumed their seasonal advance during early October. A greater than seasonal decline in farm prices of chickens in September was largely due to very heavy receipts of poultry. The seasonal decline of poultry prices from May to December this year is likely to be greater than average because of the large supplies expected.

The market price of midwestern special packed eggs at New York averaged 29.8 cents per dozen in September, compared with 29.6 cents in August and 31.9 cents in September 1935. The farm price rose, however, from 22.4 cents on August 15 to 24.5 cents on September 15, which is still below the price of 26.4 cents for September 1935. The farm price of chickens declined to 14.9 cents on September 15, 0.6 cents below that of a year earlier.

Receipts of eggs at the four markets in September were 724,000 cases compared with 719,000 cases a year earlier and a 5 year average of 742,000 cases. During the remainder of the year receipts may run less than in 1935, however, since the relation of feed costs to egg costs is not favorable to heavy feeding for egg production.

Receipts of dressed poultry at the four markets in September were 27,000,000 pounds compared with 21,300,000 pounds a year earlier and a 5 year average of 25,300,000 pounds. Only in 1931 were September receipts greater than they were this year.

Storage stocks of case eggs on October 1 were 5,817,000 cases as compared with 6,353,000 cases a year ago and a 5 year average of 6,695,000 cases. Storage stocks of frozen poultry on October 1 were 82,076,000 pounds compared with 37,700,000 pounds a year ago and a 5 year average of 47,600,000 pounds.

WOOL

Wool prices on the Boston market remained firm during September, although trading was limited. The spread between domestic and foreign prices at the present time, however, is much wider than a year earlier, and unless foreign wool prices continue to increase, domestic prices are not likely to advance much further without attracting larger imports. No material advance in foreign prices appears probable in the next few months. Consumption of apparel wool by United States mills from January through August was 8.5 percent smaller than in the same months of last year, but was larger than in the corresponding period of any previous year since 1923. Consumption during the remainder of the year is likely to be considerably smaller than in the corresponding period of 1935.

Prices for all good quality wools at the fifth series of the 1936 London wool sales held from September 15 to September 25, were equal to or higher than prices at the July series. Advances on merino wools were slight. Prices of crossbred wools were 5 to 10 percent higher than in July. Prices at Australian sales have been firm to slightly higher since the middle of September. There has been no check to the upward trend in the wool manufacturing industry of the United Kingdom. Consumption by English mills in the first 8 months of 1936 was unofficially estimated to be about 10 percent larger than in the same months of last year. Continental European wool industries are still hampered by exchange difficulties.

Supplies for the 1936-37 wool season are not expected to show much change compared with the preceding season. Preliminary estimates of wool production in 1936 for 18 countries show an increase of 2 percent above 1935. This increase in production, however, amounting to about 50,000,000 pounds, is largely offset by a reduction in stocks in the five principal Southern Hemisphere countries at the beginning of the new export season.

Stocks of raw wool were also believed to be smaller than last year in practically all consuming countries except Japan.

Quotations for fine (64s, 70s, 80s) staple territory wool at Boston for the week ended October 3, averaged 89 cents a pound, scoured basis, the same as a month earlier. In the first week of October 1935 this wool averaged 79.5 cents. Territory 56s combing wool averaged 79.5 cents a pound, scoured basis, for the week ended October 3 compared with 78 cents a month earlier and 68 cents a year earlier. The United States average farm price of wool on September 15 was 26.5 cents a pound compared with 27.2 cents on August 15 and 20.9 cents on September 15, 1935.

Domestic mill activity increased in August. The weekly average consumption of apparel wool by United States mills was 5,751,000 pounds, scoured basis, in August compared with 4,939,000 pounds in July and 6,639,000 pounds in August 1935. After adjustment for seasonal changes, consumption in August showed an increase for the fourth consecutive month. Trading in the wool goods markets was reported to be slow in September.

Stocks of manufactured goods in the hands of distributors were reported to be large at the end of August and a period of liquidation rather than restocking was anticipated for the fall months.

United States imports of apparel wool for consumption were 6,062,000 pounds in August compared with 6,895,000 pounds in July and 1,629,000 pounds in August 1935. In the first 8 months of this year imports of apparel wool for consumption totaled 75,000,000 pounds compared with 14,000,000 pounds imported in the same months of 1935.

Since May the quantity of foreign wool consumed in the United States has exceeded imports. Stocks of foreign apparel wool in bonded warehouses which totaled 32,000,000 pounds on May 1, were reduced to 22,000,000 pounds by August 1 and a further decline was indicated for September. Stocks on August 1, 1935, were only 12,000,000 pounds.

COTTON

Cotton prices strengthened at the beginning of the second week of September in response to the announcement of a smaller prospective cotton crop than had been anticipated by the trade. Prices were comparatively steady during the remainder of September, but declined materially during the first 10 days of October. The prospective total world supply of American cotton for the current 1936-37 season of about 18,600,000 bales is the smallest for any year since 1924-25 and is considerably below the average of recent years. World cotton consumption reached a record high level last season and the consumption of American cotton was considerably above 1934-35, although most of the increase in the consumption of American was accounted for by an increase in consumption in the United States. Mill activity continues at a high level throughout the world as a whole, especially in the United States, the United Kingdom, and Japan.

The price of Middling spot cotton at the 10 markets averaged 12.05 cents per pound in September compared with 12.07 in August and 10.48 cents in September of last season. The high for the month was 12.33 cents on September 12 and the low 11.61 cents on September 1. The averages for the weeks ended October 3 and October 10 were 12.24 and 12.07 cents, respectively. Prices declined during the first 10 days of October owing at least in part to, improvement in the condition of the new crop. Important price strengthening factors during recent weeks have been the very high degree of activity prevailing in the domestic textile industry and the comparatively small world supply of American cotton even after allowing for any possible improvement in crop prospects.

The October 1 report of the Crop Reporting Board estimates the 1936-37 crop at 11,609,000 bales. This is an increase of nearly 500,000 bales over the September 1 estimate and is an increase of 9 percent over actual production in 1935-36. The indicated yield per acre is 186.9 pounds or about the same as last year and 17 pounds more than the average yield in the 10 years ended 1932-33. The condition of the crop improved during the month in all of the important cotton growing States except Texas and Oklahoma. The estimate of a crop of 11,609,000 bales plus a world carry-over of approximately 7,000,000 bales gives a total supply of American cotton of about 18,600,000 bales which is 9 percent less than the average supply in the 10 years 1923-24 to 1932-33, and 20 percent less than average supply in the 5 years 1931-32 to 1935-36.

Total world mill consumption of all kinds of cotton, on the basis of data furnished by the International Federation of Master Cotton Spinners' and Manufacturers' Association, is estimated to have been about 26,800,000 bales in 1935-36, an increase of more than 6 percent over 1934-35 and of nearly 14 percent over average consumption in the 10 years ended 1932-33. World consumption of American cotton amounted to between 12,600,000 and 12,700,000 bales and was 12 percent greater than in 1934-35, but 6 percent less than the 10-year average. Most of this increase in the world consumption of American in 1935-36 compared with the previous year, occurred in the United States, the increased utilization in foreign countries amounting to only 300,000 to 400,000 bales. In foreign countries mill consumption

of all cotton of nearly 20,500,000 bales in 1935-36 was 3 percent above 1934-35, and 18 percent above the 10-year average, while the consumption of American cotton was 6 percent greater than in 1934-35 and between 14 and 15 percent less than in the 10 years ended 1932-33. Last season, American cotton represented 47.2 percent of total world mill consumption of all kinds against 45.0 percent in 1934-35 and the 10-year average of 57.4 percent.

Domestic mill activity continues to be very high. Cotton consumption in September amounted to 630,000 bales, an increase of nearly 40 percent over consumption in the corresponding month of 1935. This is the highest consumption for any September. Trade reports indicate that sales of both finished and unfinished goods during the last month have been equal to or in excess of current production. The prices of goods have tended to rise and mill margins have widened on such standard lines as print cloths and sheetings. Mills are active and cotton consumption is comparatively high in most foreign countries with the exception of Germany, Italy, and Spain. Mill activity in the United Kingdom is appreciably higher than a year ago, and it is reported that during recent weeks sales of yarn and cloth have tended to exceed output. It is possible that the devaluation of the franc and lira will aid exports of cotton textiles and hence increase cotton consumption in France and Italy, although gains in their export trade may be at the expense of the United Kingdom and textile industries in other countries using large quantities of American cotton. Reports are to the effect that mill activity has tended to increase in Japan in recent weeks.

Exports of cotton from the United States were 570,000 bales in September compared with 487,000 bales in September of last season and an average of 731,000 bales for the 10 years ended 1932-33.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 2/: 1910-14 = 100	Commodity prices: United States: Wholesale 2/: 1926 = 100	Commodity prices: Foreign 4/: In foreign currency: 1926 = 100	Interest rates in percent 5/	Industrial stock prices in dollars 6/
	1923 - 25 = 100								
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	105	3.90	100
1925	104	101	99	156	151	104	104	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	98	4.01	176
1928	111	102	99	149	141	97	98	4.71	226
1929	119	109	105	146	139	95	95	5.74	311
1930	96	89	92	126	126	86	85	3.56	236
1931	81	68	77	87	107	73	75	2.58	139
1932	64	46	64	65	95	65	70	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935-									
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	69	82	106	118	80	71	.75	127
Sept.	90	72	84	107	118	81	72	.75	132
Oct.	95	74	85	109	118	80	73	.75	135
Nov.	97	74	85	108	118	81	74	.75	144
Dec.	104	76	85	110	118	81	74	.75	142
1936-									
Jan.	98	72	83	109	118	81	74	.75	146
Feb.	94	72	83	109	118	81	74	.75	152
Mar.	93	76	84	104	116	80	74	.75	156
Apr.	100	77	85	105	116	80	74	.75	156
May	101	78	86	103	115	79	74	.75	149
June	103	79	86	107	116	79	75	.75	155
July	107	78	87	115	118	80	76	.75	162
Aug.	107	81	89	124	119	81	77	.75	166
Sept.					119	81		.75	168

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Review of Economic Statistics, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

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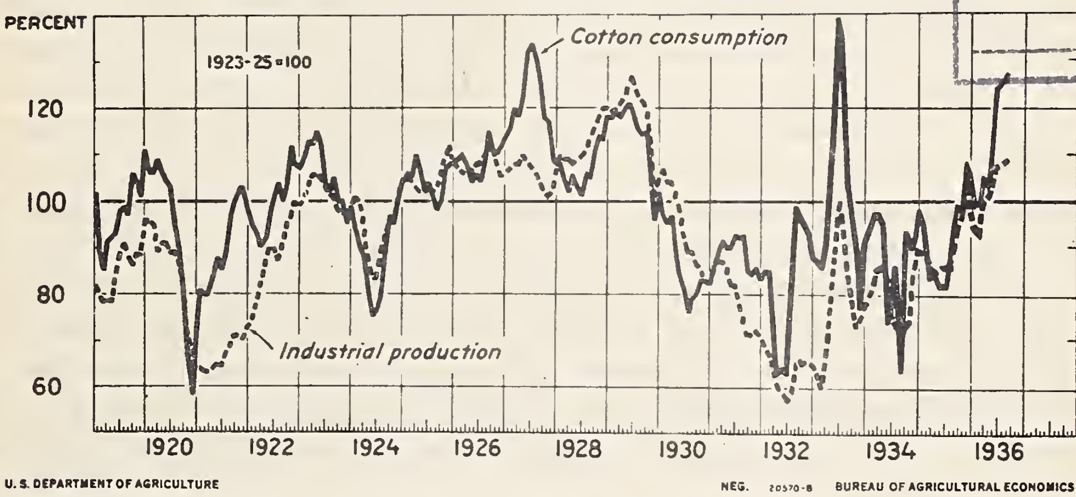
The PRICE SITUATION

NOVEMBER 1936

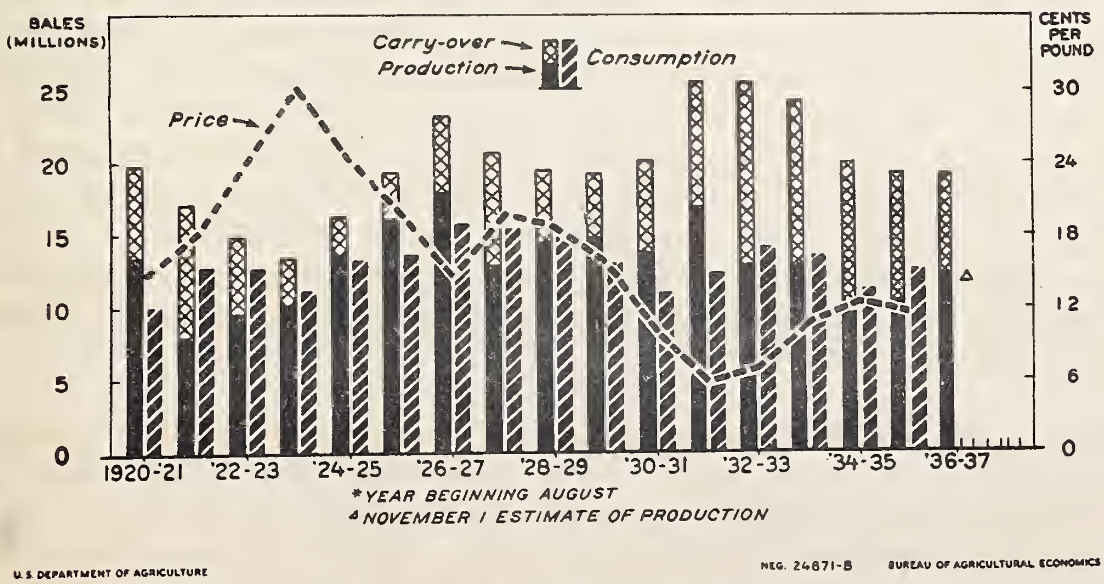
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON

Cotton Consumption and Industrial Production in the U.S., 1919 to Date



COTTON CONSUMPTION TENDS TO MOVE WITH GENERAL INDUSTRIAL PRODUCTION. THE HIGHER LEVEL OF GENERAL INDUSTRIAL PRODUCTION IN THE EARLY PART OF THE CURRENT (1936-37) SEASON THAN A YEAR EARLIER AND PROSPECTS FOR FURTHER IMPROVEMENT IN GENERAL ECONOMIC CONDITIONS ARE FAVORABLE TO AN INCREASE IN COTTON CONSUMPTION IN THE UNITED STATES IN 1936-37 OVER THE PREVIOUS SEASON.

Cotton, American: Production, World Consumption and Carry-over, and Price at 10 Markets, 1920 to Date *



WITH A SUBSTANTIAL INCREASE IN THE WORLD CONSUMPTION OF AMERICAN COTTON IN 1935-36 AND A COMPARATIVELY SMALL CROP, THE WORLD CARRY-OVER WAS REDUCED CONSIDERABLY. WHILE THE 1936 CROP IS ABOUT 1,800,000 BALES LARGER THAN THE PRECEDING CROP, THE WORLD SUPPLY OF AMERICAN COTTON FOR THE 1936-37 SEASON IS ABOUT 200,000 BALES SMALLER THAN FOR THE PREVIOUS SEASON, IS THE SMALLEST WITH ONE EXCEPTION IN 12 YEARS, AND IS SOMEWHAT SMALLER THAN THE AVERAGE FOR THE 10 YEARS ENDED 1932-33.

FARM PRICES

The general level of farm prices appears to have changed little since mid-October. Prices of cotton and hogs remained about the same and slight advances in prices of corn, cattle, lambs, potatoes, and eggs probably offset slight declines in prices of wheat, poultry, butter and cheese.

Domestic wheat prices have declined generally since about mid-October, largely as a result of improved prospects for Southern Hemisphere crops and increased offerings of new Argentine wheat for deferred shipment. With higher prices than at seed time last fall and sufficient moisture for seeding and germination over practically all of the winter wheat area, it seems probable that wheat acreage seeded and harvested as grain in 1937 will be at least as large as in 1936. Prices of feed grains weakened during the last half of October, as pasture conditions improved materially and crop prospects improved slightly. With the influence of changing prospects for the 1936 crop now practically eliminated, corn prices may be expected to approximate the present level during the next few months, except as they are influenced by changing weather conditions which affect the demand for corn and by variations in the volume of imports. During the remainder of 1936 prices of rough rice in both California and the Southern States may be expected to average higher than in the same period of 1935, as the depressing influence of larger supplies will probably be more than offset by other conditions.

Prices of better grade slaughter cattle are expected to advance during the winter and to average as high or higher than a year earlier. Prices of lower grades may also strengthen somewhat before the end of the year and make a rather sharp seasonal advance during the late winter and spring. Slaughter supplies of lambs during the next 3 months are expected to continue rather large and to exceed those of the same period a year earlier, but during the last 3 months, February to April, of the current marketing year, they may be considerably smaller than a year earlier. Prices are expected to strengthen somewhat from the level of early November before the end of the year, and may make a rather sharp advance in February. The seasonal decline in hog prices which started in late August apparently has about ended, as prices are now showing a tendency to strengthen. Because of a greater than usual reduction in hog marketings in prospect during the late winter, and anticipated short supplies next summer, hog prices are expected to make a greater than average seasonal rise during the next few months.

Butter and cheese prices declined during the last 2 months whereas they usually rise at that time. With prospects for lower total production of manufactured dairy products during the coming winter than in 1935-36, and with higher consumer purchasing power, the outlook is for higher prices of butter and cheese during the winter months.

Although the potato crop in the Late States improved slightly last month, it is still below that of recent years, and it is expected that prices will continue to advance until next March. Onion prices normally reach their low point in September and October, with seasonal advances occurring from November to the end of the season. With holdings of late onions large this year,

seasonal advances are slow to materialize and it is likely that not much improvement in prices will occur unless an unusually strong demand for onions develops after the first of the year. Apple prices are considerably higher than at this time last year as a result of a much smaller crop and a marked improvement in consumer purchasing power. Based on present indications apple prices will continue to average well above those of last year and the season's average will probably be the highest since 1929

The demand outlook for American cotton continues to be featured by prospects for the continuance of a very high degree of textile activity and a high level of cotton consumption throughout the world in general and in the United States in particular. A new record high output of foreign cotton is also in prospect, but this will tend to exert its larger effect upon exports of and foreign consumption of American cotton in the last half of the season.

The index of prices received by farmers in mid-October was 121 percent of the pre-war average, compared with 124 in September, and 109 in October 1935. The index of prices paid by farmers in October was about the same as in September, or 127 percent of the pre-war average, compared with 123 in October 1935. The ratio of prices received to prices paid by farmers declined from 98 in September to 95 in October, compared with 89 in October 1935.

WHOLESALE PRICES

The general level of wholesale prices has been practically unchanged for the last 3 months at about 119 percent of the pre-war level. The trend of wholesale prices is likely to be upward until the next crop season when increased crop production and some decline in prices is expected. For 1937 as a whole, wholesale prices probably will average a little higher than in 1936. The ratio of prices of farm products to prices of all commodities at wholesale, which is now nearly up to the pre-war level, may be maintained or increased during the winter months, with prospects for some decline by next summer.

Declines in prices of farm products and foods in October were offset by advances in the combined prices of other commodities, with prices of textiles making the greatest gains. Prices of hides and leather, fuel and lighting materials, metals, building materials and miscellaneous commodities have likewise risen since September, with little change occurring in prices of housefurnishings, chemicals and drugs.

Prices of every group of commodities rose moderately in the week ended November 7. Prices of domestic and export copper rose to the highest levels in 5 years, and the price of "foreign" silver has reached a new high since January.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the first week in November was 97 percent of the pre-war average, compared with 90 for the corresponding week last year and 85 2 years ago.

Wholesale prices in the major foreign countries generally have continued to strengthen, especially in those countries which recently devalued their currencies. Prices in England have risen since September, with most of the rise attributed to gains in prices of vegetable foods and minerals. Prices in France, which had been rising rapidly before devaluation, gained an additional 10 percent in October despite reductions in duties on imported goods, especially raw materials. Prices in Germany, on the other hand, declined a little in September and October, lower prices of agricultural products, especially potatoes, more than offsetting the steady advance in prices of industrial goods.

A combined index of wholesale prices in the moneys of seven foreign countries which take about 70 percent of our agricultural exports rose half a point from August to September, to 77.2 percent of the 1926 average, the highest in over 5 years.

BUSINESS CONDITIONS

Industrial activity increased somewhat more than seasonally from September to October and made further advances in the first half of November. The improvement in industrial output has been accompanied by further increases in the incomes of industrial workers and recent increases in wage rates in many lines of industry, together with bonuses to workers and the largest dividend payments since 1929, are adding considerably to the incomes of consumers. The increased consumer income is being reflected in an increased demand for farm products and the income of farmers is larger this fall in spite of reduced marketings.

Industrial activity in recent months has been at the highest levels since the fall of 1929 and the continued high level of activity in the steel, automobile, and textile industries is stimulating activity in other industries. During the peak of carloadings hauled by railroads which was reached in October, there was a shortage of some types of cars and further increases in industrial output will need to be accompanied by considerable replacement and expansion of equipment by this industry. Several industries report that both plant and equipment are being operated at capacity, and in some instances extensive expansion programs are contemplated, thus stimulating construction and the replacement and addition of equipment and machinery.

The higher level of industrial activity of the last 7 months has reduced the visible stocks of raw materials, such as copper, tin, and rubber, and prices of these commodities have advanced sharply in recent weeks. The production of some raw materials has been restricted by agreement for the last few years, but with inventories reduced, some increase in output is in prospect.

During October automobile output increased seasonally but the weekly statistics on output were slightly lower than a year ago. Activity in the steel, textile, tire, and leather industries continued at a high level. Retail sales made about the usual seasonal changes from September to October. Construction contracts awarded declined seasonally. Both residential and nonresidential contract awards declined slightly, but total awards were about 12 percent higher than in October 1935.

The latest statistics available on foreign industrial activity indicate further improvement in most countries, or at least a maintenance of the improvement of recent months. The Economist's index of industrial activity for the United Kingdom in September remained unchanged from August at 108.5 percent of 1935. Employment in United Kingdom in September was the largest in the history of the country. No statistics are available regarding the trend of industrial activity in France since devaluation. However, during the last month, wholesale prices in France have risen by about 10 percent and the value of industrial securities has increased about 25 percent. Business activity in Germany continues at a high level, especially in the metal industries, and exports of machinery during the first 9 months of 1936 were about 30 percent higher than in the corresponding period of 1935. Industrial activity in the Scandinavian countries has been maintained well above the pre-depression level in recent months but in Austria and Belgium improvement has tended to slacken. The upward trend in industrial production in Japan has continued and China's foreign trade is also on the upgrade.

WHEAT

Domestic wheat prices have declined generally since about mid-October, largely as a result of improved prospects for Southern Hemisphere crops and increased offerings of new Argentine wheat for deferred shipment. Domestic markets in mid-October reflected the advances at Winnipeg and Liverpool, where prospects of a more stable currency situation and a continued active demand were strengthening factors. Crop and harvesting developments in Australia and Argentina, where harvesting has now started, will continue to be important price factors during the next month.

The average United States farm price of wheat on October 15 was 106.8 cents compared with 104.3 cents in September and 95.1 cents in October 1935. Market prices for the week ended November 7 averaged about 1 to 4 cents lower than for the weeks ended October 10 and 17. On the average, No. 2 Hard Winter at Kansas City declined 4 cents, No. 2 Hard Amber at Minneapolis 3 cents, No. 1 Dark Northern Spring at Minneapolis 1½ cents, and No. 2 Red at St. Louis about 1 cent.

The price spread between United States and world wheat markets has been narrower in the last 2 months than in the corresponding period of the last 3 years, when crops were less than domestic needs, as is the case this season. In August, No. 2 Hard Winter wheat at Kansas City was 25 cents above No. 3 Manitoba Northern Spring at Winnipeg compared with a spread of 28 cents a year earlier, 23 cents 2 years and 24 cents 3 years earlier. This spread has narrowed to only about 15 or 16 cents since early October compared with about 36 cents a year earlier and 28 and 26 cents 2 and 3 years earlier, respectively. Any weakening in Winnipeg prices, without a corresponding lowering of domestic prices, when Argentine and Australian new crop wheat competes with Canadian wheat in world markets next month, will reflect itself in a widening of this spread. Also, any increase in demand for hard red wheat to substitute for hard red spring wheat, the supplies of which are less than normal utilization, will tend to widen the spread.

Wheat stocks in the United States on October 1 totaled about 542,000,000 bushels, or 28,000,000 bushels less than a year earlier. Changes in supply from July 1 to October 1 indicate that the disappearance in July, August and September this year was about 234,000,000 bushels compared with 204,000,000 and 194,000,000 bushels 1 and 2 years earlier.

With higher prices than at seeding time last fall and sufficient moisture for seeding and germination over practically all of the winter wheat area, it seems probable that wheat acreage seeded for harvest as grain in 1937 will be at least as large as that of the year earlier. Based on present moisture conditions and normal weather during the remainder of the crop year, the yield per seeded acre in 1937 may be expected to be somewhat below average, but above the yields of recent years. The present moisture situation suggests that yields of wheat in the hard red winter area in 1937 may average higher than in 1936 but will probably be below the 10-year average. In the hard red spring wheat area, there is a serious shortage of moisture at present, but spring precipitation in this area is of relatively greater importance and yields are not limited by the amount of soil moisture in the fall to the same extent that they are in the hard red winter wheat area. In other sections of the country, fall moisture supplies considered alone have little significance in relation to crop outturn.

Total world supplies of wheat in 1936-37, excluding Russia and China, show a decline of approximately 265,000,000 bushels from those of a year earlier. Smaller supplies this year have been largely responsible for a materially higher level of wheat prices than in 1935-36. World shipments of wheat during 1936-37 (July - June) are estimated at between 550,000,000 and 560,000,000 bushels compared with actual shipments of 489,000,000 bushels in 1935-36. An increase in takings is expected as a result of smaller crops and lower stocks in the importing countries and the improved business outlook in Europe. It is expected that most of the increase in European takings, however, will be supplied by Danubian countries, which produced a very large surplus. Import requirements in China, Japan, and Manchuria combined, are expected to be substantially smaller than in 1935-36. White wheat from the Pacific Northwest is moving into export channels at the highest prices since 1930.

CORN AND OTHER FEED GRAINS

Prices of feed grains weakened during the last half of October as pasture conditions improved materially and crop prospects improved slightly. The marked improvement in pastures relieved the feeding situation and temporarily reduced the demand for feed grains. Pastures showed the greatest improvement in the Southern and Eastern Sections of the drought area and in the Far Southwest. For the country as a whole, pasture conditions improved from 54.3 percent of normal on October 1 to 61.0 percent on November 1.

With normal production, corn prices usually weaken in November and December. However, in years when production is well below the usual quantity required for feeding, such as the present, prices are generally high during these months as compared with other months of the marketing year. With the influence of changing prospects for the 1936 crop now practically eliminated, corn prices can be expected to approximate the present level during the next few months, except as they are influenced by changing weather conditions which affect the demand and by variations in the volume of imports.

The price of No. 3 Yellow corn at Chicago declined from an average of 108.6 cents per bushel for the week ended October 3, to 102.6 for the week ended October 24, then advanced during the last week of October and the first week of November, reaching a high of 112 cents on November 9. No. 3 White oats at Chicago declined from an average of 42.9 cents per bushel for the week ended October 3 to 41.2 cents for the week ended October 24. Sharp advances early in November brought oats prices to 45 cents, the highest level since late in August. The price of No. 3 barley at Minneapolis declined moderately during October and sharply during the first week in November. The average price for the week ended November 9, was 113.5 cents per bushel, which was the lowest since early August. The sharp gains in corn and oats prices in early November was apparently the result of snow and unfavorable weather in the Great Plains area, together with reduced imports resulting from coastal labor difficulties.

The United States average farm price of corn on October 15 was 97.9 cents per bushel or about 7 cents lower than the September 15 price, but 26 cents higher than a year earlier. The average farm price of oats was 43.1 cents per bushel and barley 84.2 cents; both substantially higher than on October 15, 1935.

The November 1 estimate of corn production was 1,527,000,000 bushels, about 1 percent greater than on October 1, grain sorghum production was 58,000,000 bushels, or 5 percent less. Estimates of oats and barley production were unchanged. On the basis of November 1 estimates the total production of these four feed grains will be about 60,367,000 tons, or 12 percent larger than in 1934, but 40 percent below the 1928-32 average. After allowing for differences in the October 1 farm stocks, the total supply is about 37 percent less than average for the period 1928-32 and 6 percent larger than in 1934. As the number of grain consuming animals is expected to be larger for the present grain marketing year than in 1934-35, grain supplies per animal may be increased less than this 6 percent would indicate. The estimated production of hay was unchanged from October 1 to November 1.

During the period July 1 to October 1, 1936, total farm and commercial stocks of corn declined 221,000,000 bushels as compared with the decline of 182,000,000 bushels for this period of 1934. After allowing for differences in production in these 2 years, oats stocks declined 329,000,000 bushels during these months of 1936 and 203,000,000 bushels in this period 2 years ago. Although grain supplies are not much larger per grain consuming animal than they were in 1934, these figures would indicate that they are being utilized somewhat more rapidly during the present feeding season.

United States imports of corn were 4,144,000 bushels in September compared with 445,000 bushels in September 1934 and 2,986,000 bushels for that month last year. This is a material increase from August imports and on the basis of figures showing weekly arrivals of foreign grain in the United States, a further increase is to be expected in October. Imports in the current crop year are expected to be somewhat larger than in 1934-35 when they amounted to about 41,000,000 bushels. In that year production was 1,075,000,000 bushels below the 1928-32 average and imports amounted to about 4 percent of the reduction in the size of the crop. The crop this year will again be about 1,000,000,000 bushels below this average, and imports cannot be expected to offset more than a small percentage of the reduced crop production.

RICE

Prices of both rough and milled rice declined during September and October, influenced principally by the large 1936 crop. During the remainder of 1936 prices of rough rice, in both California and the Southern States may be expected to average higher than in the same period of 1935, as the depressing influence of larger supplies will probably be more than offset by other conditions. In early 1937, however, prices may be low compared with those in the first part of 1936. So far this season millers have not been inclined to store rice at prevailing prices and have purchased only for current milling needs. Growers have not pressed sales and a larger than normal percentage of the crop is being held by growers.

In the Southern States, milled rice prices began declining in August. The price of Fancy Blue Rose milled rice at New Orleans declined from $4.60 per 100 pounds in the middle of August to $3.55 in the third week of October. In early November it had advanced to $3.60, compared with $4.42 a year earlier. The average Louisiana farm price of rough rice declined from 98 cents per bushel on September 15 to 84 cents on October 15, compared with 55 cents on October 15, 1935.

The price of Fancy Japan rice at San Francisco dropped during the last half of September from $4.70 to $4.15 per hundred pounds and rough rice (No. 1 Paddy) at country points declined from $2.02 to $1.58 per hundred pounds. Prices remained at this level during October and early November. In early November last year the price of Fancy Japan rice was $4.50 and No. 1 Paddy was $1.20 per hundred pounds.

Production in the Southern States (Louisiana, Texas, and Arkansas) on November 1 was estimated at 36,187,000 bushels, 2 percent above the 1928-32 average, and the California crop at 8,954,000 bushels, the largest crop since 1927. On the basis of these estimates the total United States crop will approximate 45,141,000 bushels, which is the largest crop in 16 years.

The prospective supply of Southern rice for the 1936-37 marketing year beginning August 1 is estimated at 10,538,000 barrels including 486,000 barrels of old rice in addition to the prospective 1936 crop. Of this supply about 700,000 barrels will probably be used for seed, feed, and by local hullers, leaving 9,838,000 barrels for milling and carry-over. This compares with 8,150,000 barrels milled by southern millers in 1935-36.

Total supplies available in California for the 1936-37 marketing year, beginning October 1, will approximate 4,600,000 bags of 100 pounds, including 572,000 bags carried over from the previous marketing year, compared with a total supply of 3,229,000 bags in 1935-36.

Rice shipments to Puerto Rico amounted to 15,000,000 pounds for the first 2 months of the marketing year (August - September) compared with 6,340,000 pounds a year earlier. In the same period, shipments to Hawaii totaled 13,739,000 pounds compared with 12,607,000 a year earlier. Exports of rice from the United States in 1935-36 amounted to 75,878,000 pounds compared with 117,334,000 pounds in 1934-35. As the processing tax permitted a lower price of domestic rice for export, exports were large during the period it was in effect, but since the removal of the tax, exports have dropped sharply. Prices in general are still above the foreign level and some further adjustment between domestic and foreign rice prices will be necessary to restore a more nearly normal volume of exports. At present a reduction in exports and a larger carry-over at the end of the present marketing season than at the end of 1935-36 seem probable.

APPLES

Apple prices are considerably higher than at this time last year as a result of a much smaller crop and a marked improvement in consumer purchasing power. Based on present indications, apple prices will continue to average well above those of last year and the season's average will probably be the highest since 1929. Although some temporary declines may occur, the trend of apple prices will likely be upward during the remainder of the marketing season.

The 1936 apple crop was estimated at 108,031,000 bushels, on November 1 compared with 167,283,000 in 1935 and the 1928-32 average of 161,333,000 bushels. Although production this year is less than average in all producing regions, the crop in the Central and Atlantic States is smaller, relative to the average, than that of the Western States. Production in the Atlantic Coast States is estimated at 42,019,000 bushels, compared with 69,558,000 in 1935 and the 1928-32 average of 67,895,000 bushels. The Central States, including both North and South Central, have a total apple crop of only 18,329,000 bushels, about 26,000,000 bushels less than in 1935, and 17,000,000 bushels below average. In the West, the apple crop is estimated at 47,683,000 bushels, compared with 53,457,000 bushels in 1935 and the 1928-32 average of 58,177,000 bushels.

Prices of Eastern apples at New York averaged $1.51 per bushel (l.c.l. basis) in October 1936, compared with $1.26 in September and 89 cents a year ago. At Chicago l.c.l. apple prices averaged $1.32 per bushel in October 1936, against $1.34 in September and 93 cents in October 1935. In the first week of November these prices dropped somewhat below the October average, but were still well above those of a year ago. On the New York auction market, Washington Extra Fancy Delicious averaged $2.28 per box in October 1936 compared with $1.86 for the same month last year; Jonathans $1.82 against $1.49; Spitzenbergs $2.11 against $1.79; Rome Beauties $2.18 against $1.78; and Starkings averaged $2.30 compared with $2.13. During the first week in November, auction prices of most varieties were slightly lower than the October average.

The United States farm price of apples averaged 91.2 cents per bushel on October 15, 1936 compared with 80.1 cents on September 15, 1936; 64.3 cents on October 15, 1935; and 72.5 cents the 1909-13 October average.

Carlot shipments of apples in the Eastern and Central States this season to date were about 35 percent less than for the same period of last year, whereas shipments from the Western States have been about 17 percent greater this year than last. This situation is probably explained by the fact that the crop in the Western States this year is not as small relative to the average as the crop in the Eastern and Central States. Consequently, the high prices in the Eastern markets have attracted rather large shipments from the West.

On November 1 about 25,132,000 bushels of apples were in cold storage in the United States, compared with 30,827,000 bushels a year ago and the 1931-35 November average of 28,638,000 bushels. Cold storage holdings usually reach a seasonal peak by December 1. In 1935, the December 1 holdings were 33,054,000 bushels.

POTATOES

Potato prices at market centers advanced slightly during October, but lost some of the gain in early November. Although the potato crop in the Late States improved slightly during the last month, it is still below that of recent years and it is expected that prices will continue to advance until next March. It is likely that the advance will not be a great as anticipated earlier, although it is probable that potato prices will advance more than supplies now indicate because much of the stored portion of the late crop is reported to be of low quality and probably will not keep well. A large early potato crop is in prospect in the early States and this supply may cause the peak of late potato prices to be reached earlier than usual.

Potato prices in city markets reached the seasons low point in the first week of October, advanced slightly by the middle of the month, but lost some of the gain by the first weeks of November. At New York, the advance during the first half of October was from $1.92 per 100 pound sack (l.c.l.) to $2.07. In the first week of November the average was $2.04 per 100 pound sack compared with $1.86 a year ago. At Chicago, the early October advance was from $1.91 per 100 pound sack (carlot basis) to $2.18 with a subsequent decline to $2.10. Prices a year ago at Chicago averaged $1.60 per 100 pound sack.

Potato prices at most important shipping points followed much the same trend during the last month as those at market centers. At Presque Isle, Maine, prices of Green Mountains rose from $1.29 to $1.50 per 100-pound sack, f.o.b. during the last month. They did not experience the end of the month decline but continued to rise. A year ago they averaged $1.40 per 100-pound sack. Prices of Round Whites at Rochester, New York, also advanced throughout the month from $1.55 per 100-pound sack, f.o.b. to $1.73 compared with $1.30 a year ago. At Riverhead, L.I., Green Mountains averaged $1.98 per 100-pound sack, f.o.b. usual terms, in the first week of November compared with $2.04 the middle of October and $1.86 the first week of October. At Benton Harbor, Michigan, Russet Rurals declined slightly during most of October and the first week of November. They averaged $1.52 per 100-pound sack, f.o.b. in a recent week compared with about $1.10 a year earlier. Sacked Round Whites at Waupaca, Wisconsin, rose from $1.49 f.o.b. the first week in October to $1.60 the second week but declined to $1.57 the first week of November. They averaged 92 cents a year ago. At Idaho Falls, Idaho, Russet Burbanks advanced throughout the last month from $1.34 per 100-pound sack f.o.b. cash track to $1.79 the first week in November. A year ago they averaged about $1.23 per 100-pound sack.

In recent weeks car-lot shipments have moved at a slower rate than at this time last year but the total movement from the late States for the season to date is larger. Nearly 50,000 cars of late potatoes had been shipped to November 7, 1936 compared with 41,000 cars to November 9, 1935. Since there is a shortage of potatoes in the Central States it is likely that total shipments by rail and boat will be larger this season than in the 1935-36 season when the crop in the late States was some 38,000,000 bushels larger.

There was some improvement in the potato crop in the late Northern States just prior to harvest time. As a consequence the estimate for November 1, indicates a 10,000,000-bushel increase in production during October. The eight Eastern States have a production of about 106,000,000 bushels this year compared with 101,000,000 last year; the 10 Central States, 94,000,000 bushels against 135,000,000 last year; and the 12 Western States, 80,000,000 compared with 83,000,000 in 1935.

Growers in the early and second early Southern States indicated early in October that they intended to increase their potato plantings for 1937 by 26 percent. The increases are 31 percent for the first section of early States, 28 percent for the second section and 19 percent for the second early group. Growers in the two sections of Intermediate States indicated intentions to increase their plantings by 8 and 10 percent respectively. These increases may be attributed to the higher level of potato prices this year. If these intentions are carried out and if average yields are obtained, a much larger early potato crop would be available for market next spring than was available in the spring of 1936.

ONIONS

In the face of a late onion crop estimated to be 11,964,000 100-pound sacks or 18 percent larger than the 1935 crop and 25 percent over the 5-year (1928-32) average, onion prices dropped to unusually low levels early in the late-crop marketing season. The carlot movement to market has continued slow and present prices in wholesale terminal markets and at shipping points show little change over those prevailing a month ago. Onion prices normally reach their lowest points in September and October, with seasonal advances occurring from November to the end of the season. With holdings of late onions large this year, seasonal advances are slow to materialize and it is likely that not much improvement in prices will occur unless an unusually strong demand develops after the first of the year. In early 1935 there was a sharp increase in demand for late onions, caused by the shortage of local, homestored, and canned vegetables in the states that were hard hit by the 1934 drought.

In line with expectations, growers of Bermuda type onions in the early producing States (Louisiana, Texas, and California) plan to reduce the acreage for the 1937 crop. On the basis of this intended acreage and average yields, the 1937 early onion crop would still be larger than in any recent year except 1936. It appears, therefore, that onion prices will remain relatively low for both the winter and spring marketing period.

Prices of yellow onions at Western and Central New York points ranged from 40 to 45 cents per 50-pound sack f.o.b. during the first half of November compared with 95 cents to $1.00 a year ago. Michigan yellows were selling at 37-1/2 to 40 cents per 50-pound sack f.o.b. shipping point recently, compared with 85 cents to $1.00 a year ago.

On the New York City wholesale market New York grown yellows sold in early November at from 40 to 60 cents per 50-pound sack compared with $1.00 to $1.25 a year ago. Recent sales of Idaho and Washington Valencias were reported at $1.05 to $1.10 per 50-pound sack.

Carlot shipments for the week ended November 7 totaled 573 compared with 709 cars the preceding week and 655 cars in a corresponding week of 1935. The total number of cars shipped this season through November 7 from the important late states was reported at 9,090, compared with 9,569 cars in the corresponding period of 1935.

The acreage planted to Bermuda onions for the 1937 crop in the early group of States (Louisiana, Texas, and California) will be 27 percent below the 1936 crop acreage if growers' intentions, as reported on November 1, materialize. This will mean a total of 25,600 acres planted this season compared with 34,970 a year ago, and the 5-year (1928-32) average of 23,060. Louisiana, with a relatively small acreage, is expected to show a 7 percent increase over 1936. In Texas, the most important State in this group, a decrease of 27 percent is expected. A decline of 37 percent below the 1936 planted acreage is indicated in California. On the basis of these acreage intentions and average yields, a total of 2,560,000 sacks of early onions would be available for market next spring, compared with 3,302,000 sacks in 1936, and 2,308,000 sacks the 1928-32 average.

CABBAGE

Cabbage prices at large terminal markets and country shipping points have gradually dropped to lower levels during the last month. This decline is due largely to seasonal factors. Higher prices for cabbage were maintained during the summer months, owing largely to small crops caused by drought and excessive heat in the Intermediate States. Fall rains and improved growing conditions resulted in increased supplies from the commercial areas in the late producing States. Prices dropped rather sharply from late summer until the latter part of September. In October the decline continued at a lower rate, and the season's low point was reached in early November.

Most of the current receipts originate in New York and Wisconsin, two important late producing States. Only a few scattered cars of the 1937 crop have been shipped from Southern States. Until the shipments from the Southern States attain considerable volume it is likely that prices of late Danish cabbage will advance. On the basis of growers' intentions to plant cabbage in the early States, it is probable that cabbage prices will decline sharply when shipments from those States move in volume.

Present supplies consist largely of Danish type, which is commonly stored for the fall and winter market. This type of cabbage sold recently at western and central New York shipping points at \$13.00 - \$16.00 bulk per ton, on a carload and truckload usual terms basis. A month earlier, stock sold at \$18.00 to \$21.00 bulk per ton, while quotations a year ago were \$10.00 - \$14.00 per ton. New York grown Danish type cabbage sold recently on the New York wholesale market at 50 to 60 cents per 50-pound sack, compared with 60 to 65 cents a month earlier and 40 to 45 cents during a corresponding period in November 1935.

On the Chicago wholesale produce market Illinois and Wisconsin Domestic and Danish type cabbage sold during the second week in November at 75 to 85 cents per crate of approximately 70 to 75 pounds. In early October the price range was 75 cents to \$1.00 and in November 1935 from 50 to 75 cents.

Preliminary estimates indicate a 1936 production of 387,600 tons of cabbage in the late States, compared with 557,800 tons produced in 1935 and a 5-year average of 563,500 tons.

A total of 526 cars of cabbage were shipped in the week ended November 7, compared with 722 cars in the preceding week and 503 cars during a corresponding week in 1935. The total for this season through November 7 was 19,874 cars compared with 17,872 cars to a corresponding date in 1935.

Prices for the 1936 late Danish crop and the 1937 Domestic type crop during the late fall and winter months will depend largely on production in the Southern States. A small 1936 crop in the Intermediate and Late States, resulting in relatively high prices in the country as a whole, evidently influenced producers in the early States (California, Florida, Louisiana, Texas) to plan on increased acreages for the 1937 crop. South Carolina and Virginia growers planted 2,800 acres for the 1937 crop compared with 1,920 acres a year ago.

November 1 intentions-to-plant reports from the early group of States indicate an increase of 9 percent over last year's acreage or 61,000 acres for 1937 compared with 56,000 acres in 1936. There are indicated increases of 18 percent in California, 33 percent in Florida, and 3 percent in Texas. Growers in Louisiana intend to plant about the same acreage as a year ago. If these intentions are carried out and if average yields are obtained, a total early crop of 367,000 tons would be available for harvest. This would be a record crop for this group of States and would result in very low prices to producers. If yields are no larger than the low yields of 1935 and 1936, an early cabbage crop almost as large as that produced in 1934, when prices were very low, would be in prospect. These prospects, therefore, suggest the advisability of a downward revision in growers' planting intentions.

FLUE-CURED TOBACCO

The 1937 outlook for flue-cured tobacco, together with the outlook for other domestic classes and types, is quoted from the Tobacco Outlook for 1937 as follows:

> "Flue-cured. Domestic consumption increasing, but may be offset by lower exports. Estimated requirements for 1936-37 little if any greater than 1936 production. No material increase in production appears justified. Burley. Three years of low production have reduced stocks. Increased supplies of smoking grades needed. Increased plantings over the acreage harvested in 1936 appear desirable. Maryland. Domestic consumption is increasing, but exports are down to one-half of 1924-28 level. Stocks burdensome. Fire-cured. Little change in rate of domestic consumption, although snuff consumption has increased moderately above the low level of 1935. Exports declining. Drought-curtailed crop of 1936 will probably reduce stocks by October 1, 1937. No increase in acreage seems justified. Dark air-cured. Recent years of low production have greatly reduced stocks. Domestic consumption fairly stable. Exports showing some increase. A limited increase in production seems justified. Cigar types. Low production for 4 years has reduced stocks. Cigar consumption increasing steadily and increased acreage of most types appears justified. Consumption of scrap chewing has increased slightly during the past year".

The 1936 crop of flue-cured tobacco was estimated November 1 at 688,330,000 pounds. To November 1, the sales of this crop on auction floor markets amounted to 505,616,000 pounds, at an average price of 22.3 cents, compared with 20.5 cents for the season to November 1, last year. With more than 70 percent of the flue-cured crop sold, it now appears that the price for the whole crop will average about 22 cents. This would be above the 1935 season's average price of 20.0 cents, but considerably below the 1934 season's price of 27.3 cents. Although the estimated supply of flue-cured tobacco this year is 4,200,000 pounds smaller than that of 1935, it is 366,700,000 pounds above the 7-year average supply, 1923-24 to 1929-30.

Sales for producers on the South Carolina flue-cured (type 13) markets in October averaged 14.5 cents compared with an average of 21.1 cents in September and 16.4 cents for October 1935. With nearly all South Carolina markets for type 13 closed, and the crop practically sold, the season's average price to producers this year will be around 21 cents compared with 19.5 cents in 1935 and 22.6 cents in 1934.

Sales on the Eastern North Carolina flue-cured (type 12) markets continued in October with an average price of 24.9 cents, compared with 23.8 cents in October 1935. By November 1 about 79 percent of type 12 had been sold.

The markets of the Middle Belt (type 11b) which opened September 22, and of the Old Belt (type 11a) which opened October 5, sold 98,077,000 pounds for producers during the month at an average price of 23.5 cents. The average price received for type 11 in October 1935 was 22.0 cents.

Exports of flue-cured tobacco (export weight) in the 3 months, July-September 1936, were 76,535,000 pounds, which is the largest amount for this period since 1930. Of this amount, the United Kingdom took 50,093,000 pounds, which is 8.6 percent less than in the same period of 1935; China took 8,667,000 pounds, which is 116.5 percent above the takings of the same period last year, but still about 43 percent below the average amount exported in these months during the 5-year period 1930-31 to 1934-35. The latter's increased imports of American flue-cured tobacco have taken place even though it now appears that China's production of flue-cured tobacco in 1936 will be more than 25,000,000 pounds above the 1935 crop.

Consumption for the period January-September 1936 continues to show increases for practically all tobacco products. The upward trend in cigarette consumption, indicated by tax-paid withdrawals, continues, and reached an all-time high of 115,163,689,000 cigarettes for the period January-September 1936, or 11.4 percent above the same period of 1935.

HOGS

The seasonal decline in hog prices which started in late August apparently has about ended, as prices are now showing a tendency to strengthen. The price movement this fall has been similar to that which occurred 2 years earlier following the 1934 drought. The current level of prices, however, is about $1.75 per 100 pounds higher than the prices of late 1934 plus the hog processing tax of $2.25 then in effect. Because of a greater than usual seasonal reduction in hog marketings in prospect during the late winter, and anticipated short supplies next summer, hog prices are expected to make a greater than average seasonal rise during the next few months.

The weekly average of hog prices at Chicago rose slightly in early October and then declined about 60 cents per 100 pounds during the second half of the month. The average at the end of the month was $9.22 compared with the late summer peak of $10.26. Prices of light and medium weight hogs declined relatively more than those of heavy butcher hogs and of packing sows, with the result that the price spread on all weights in early November was considerably

narrower than that prevailing during the summer, when packing sows were being liquidated because of short feed supplies. The impending scarcity of heavy hogs in prospect later in the marketing year has given considerable support to the market for sows and other hogs especially suitable for lard production. The monthly average of hog prices at Chicago in October was $9.55 compared with an average of $9.89 in September and $9.83 in October last year.

Hog slaughter under Federal inspection during October, totaling 3,492,000 head, was 45 percent larger than that in September, 64 percent larger than the very small slaughter of October last year, and 8 percent larger than the 5-year average for the month. The relatively large increase over the preceding month and over October 1935 reflected the increase in the 1936 spring pig crop and the forced early marketing of this crop as a result of the feed shortage over most of the more important hog producing area. The October slaughter this year was slightly smaller than the October total in the drought year 1934. The spring pig crop this year was slightly larger than that of 1934. The distribution and volume of hog marketings during the remainder of the winter are expected to be very much like those of the corresponding period of 1934-35.

The seasonal reduction in average weights of hogs marketed has been much greater than average and even greater than in the fall of 1934, following the drought of that year. In early August the weekly average weight for the seven principal markets combined was 262 pounds and in early November it dropped to 207 pounds. During the corresponding period of 1934 the combined average weight at these markets dropped from 242 to 213 pounds and reached a low of 200 pounds in December.

The hog-corn price ratio, based on Chicago prices of hogs and corn, averaged 9.0 in October as compared with 8.8 in September and 12.0 in October 1935. It is probable that hog prices will advance relatively more than corn prices during the next few months, thus causing the hog-corn price ratio to become more favorable for hog producers during this period.

Wholesale prices of fresh pork declined sharply during October and in early November were at approximately the lowest levels of the year. Prices of cured products, with the exception of fat backs at New York, also declined, and those of bacon reached new low levels for 1936. Prices of most other cuts and of lard, however, are still above the low points reached last spring.

Storage holdings of pork and lard were reduced less than the usual amount during October. Stocks of pork on November 1, totaling 352,000,000 pounds, were 3 percent less than those reported October 1 and 14 percent smaller than the 5-year average for that date, but were 46 percent larger than the very small stocks on hand a year earlier. Lard stocks, totaling 94,000,000 pounds, were about 7 percent smaller than those of October 1 but were 132 percent greater than the very small stocks of a year earlier and 33 percent larger than the 5-year average for November 1. In most years lard stocks are reduced materially during October, but this fall there has been a tendency to reduce stocks rather slowly because of the prospect that lard production later in the marketing year will be relatively small.

According to the hog outlook report recently released by the Bureau, the number of hogs for slaughter in the present marketing year, which began October 1, is expected to be from 10 to 15 percent larger than in the 2 preceding years, when the totals were the smallest in many years, but probably will be about 20 percent less than the average of the 5 years prior to 1934-35. Average weights probably will be lighter than usual and about the same as in 1934-35, following the drought of 1934.

The seasonal distribution of slaughter during this marketing year is likely to be considerably different from that of the previous year. Slaughter during the 3 months, October to December 1936, will represent a larger than usual proportion of both the marketing year total and the winter total (October to March) and the entire winter supply will be a larger than average proportion of the year's supply. Supplies in the last quarter, July to September 1937, are expected to be considerably smaller than in the corresponding period of 1936 but larger than in the same period of 1935.

Further improvement in consumer demand for meats in this country is in prospect but little change in the foreign outlet for American hog products seems probable. A relatively strong storage demand for hog products during the coming winter is to be expected in view of the small supplies of hogs likely to be available for slaughter next summer.

The yearly average of hog prices probably will be about the same during 1936-37 as during 1935-36, but seasonal changes in prices are expected to be somewhat different. The seasonal decline this fall probably will be about average and will be followed by a considerably larger than average seasonal advance in the late winter and early spring. Prices during the summer of 1937 probably will average higher than in the summer of 1936 and the summer peak probably will be reached somewhat later than in recent years.

High prices of corn in relation to the prices of hogs will cause hog producers to raise fewer pigs in 1937 than in 1936. If prospects for a corn crop are favorable next summer, a sharp increase in breeding for the fall pig crop of 1937 is to be expected and will be reflected in increased slaughter supplies of hogs by the spring of 1938. It is not probable, however, that slaughter supplies can reach a volume equal to the 5-year average of 1929-33 before 1940.

CATTLE

Although total supplies of cattle are expected to continue fairly large during the balance of this year, the proportion and number of the better grades is expected to become progressively smaller, and by the first of next year to be below average. Supplies of short fed cattle will be fairly large for several months but by early spring will also be reduced. Prices of better grade slaughter cattle are expected to advance further by the end of the year and to average as high or higher than during the winter of 1935-36. Prices of lower grades may also strengthen somewhat before the end of the year and make a rather sharp seasonal advance during the late winter and spring. Although the usual seasonal movement of prices of good and choice steers is downward during the first half of the year, it is expected that the direction during the first half of 1937, as in 1935, will be upward rather than downward.

Prices of the better grades of beef steers weakened somewhat the first half of October, the decline being particularly severe on cattle weighing over 1,300 pounds. Prices of the lower grades of steers changed little during this period. During the last half of October prices of the better grades made a sharp advance which was continued into early November. The average weekly prices of choice and good steers for the week ended November 7 of $11.17 and $9.86 were $1.53 and $.93 higher, respectively, than the averages for the week ended October 17, and were the highest since February. At the low period in June the average weekly prices of these grades were $8.40 and $7.73, respectively. Prices of lower grade steers made some advance during this period, and for the week ended November 7 were the highest in almost a year, and were higher than in the corresponding week of 1935. Prices of butcher cattle changed little during October, except that prices of better grade heifers tended to follow the advance on better grade steers. Prices of stocker and feeder steers also changed little during the month and late in the month prices of the better grades were strengthened by the advancing fat cattle market. The average monthly price of beef steers at Chicago for October was $9.31 compared with $9.16 for September and $10.38 for October 1935. The October 15 farm price of beef cattle was $5.89 compared with $5.88 on September 15 and $6.24 on October 15, 1935. The October 15 price of veal calves was $7.54, compared with $7.42 on September 15, and $7.65 on October 15, 1935.

Supplies of cattle for slaughter in October were fairly large. Although receipts at seven leading markets were 10 and 4 percent smaller respectively than in October 1935 and the 5-year October average, inspected slaughter of 1,124,000 head was 3 percent larger than the large slaughter in October 1935, and 26 percent above the 5-year average. Inspected slaughter of calves of 585,000 head was 10 percent larger than October 1935, and the largest for the month on record. Receipts of all native beef steers at Chicago were a little larger than the small number in October 1935 but the actual number and percentage of choice steers was the largest for the month in the 15 years of record. Supplies of good and choice cattle were quite heavy in the first half of October but dropped rather sharply during the second half. Shipments of stocker and feeder steers from 12 leading markets in October were 31 percent smaller than a year earlier and much below average.

LAMBS

Slaughter supplies of lambs during the next 3 months are expected to continue rather large and to exceed the same period a year earlier, but during the last 3 months, February to April, of the current marketing year they may be considerably smaller than a year earlier. Prices are expected to strengthen somewhat from the level of early November before the end of the year and may make a rather sharp advance in February.

Prices of slaughter lambs, after reaching the low point of the present year early in October when the top price at Chicago dropped below $9.00, recovered somewhat and for most of the month the top was around $9.25. Early in November another moderate advance of 25 to 40 cents was made. Prices of the better grade of feeder lambs, which did not reflect the decline in slaughter lamb prices in early October, were fairly well maintained during

the month but weakened somewhat toward the end. The spread between light weight, poor conditioned feeder lambs and heavy feeder lambs continued rather wide with a range at Chicago from $5.00 to $8.50. Prices of slaughter ewes tended to strengthen somewhat during the month. The monthly average price of good and choice lambs at Chicago in October was $8.68 compared with $9.38 in September and $9.23 in October 1935. The October 15 farm price of lambs was $7.25 compared with $7.43 in September and $7.38 in October 1935. The average cost of feeder lambs shipped from Chicago in October this year was $7.44 with an average weight of 58 pounds compared with a cost of $8.85 and an average weight of 66 pounds in October 1935.

Supplies of slaughter lambs in October were fairly large relative to earlier months of the current marketing year. Receipts of sheep and lambs at seven leading markets were 4 percent smaller than in October 1935, but inspected slaughter of 1,742,000 head was only 1 percent smaller and the third largest for the month on record. The slaughter supply in October included a rather large proportion of ewes and the quality of the lambs slaughtered was below average.

For the first 6 months, May to October, of the current marketing year inspected slaughter amounted to 8,605,000 head. This was the second smallest since 1929 if government slaughter is excluded in 1934, and smallest if it is included. Since 1920 inspected slaughter during the first 6 months has always been more than 50 percent of the market-year total except in 1920 when it was 49 percent. For the 16 years it averaged about 52 percent and for the last 4 years (1932-33 to 1935-36), 53.2 percent. If distribution of slaughter in the current marketing year should follow the trend in other years and the proportion in the past 6 months be about equal to the 16-year average of 52 percent, total yearly slaughter would amount to 16,550,000 head; if it should equal the average of the last 4 years the total would be about 16,160,000 head; if it should be as small as in 1920 (49 percent) the total would be 17,550,000 head. Under the first two assumptions, slaughter during the last 6 months (November to May) of the current marketing year, which will consist mostly of fed lambs, would be smaller than the 8,272,000 head in the corresponding period of 1935-36. Under the third assumption it would be considerably larger.

Information as to the lamb feeding situation this year continues quite uncertain. The shipment of feeder lambs from 12 leading markets into the Corn Belt States in October was 23 percent smaller than in October last year and for the 4 months, July to October, inspected shipments into the Corn Belt from all markets were 18 percent smaller than for the corresponding period of 1935. Reports from Colorado and the Scottsbluff section of Nebraska show inshipments to November 1 into those important areas as much smaller than last year and feeding is expected to be reduced by 25 percent or more. On the other hand record numbers of lambs are on feed on irrigated pastures, beet tops, and in feed lots in the area west of the Continental Divide. Also a large increase over last year is reported in feeding in Texas and on Kansas and Oklahoma wheat fields. Present indications are that the number of lambs fed and slaughtered during the next 6 months will exceed that of a year earlier.

BUTTER

Butter prices declined during the last 2 months whereas prices usually rise at that time. The high level of production during the fall compared with that of mid-summer has been the principal factor in causing prices to decline. Even though current production is relatively high, it seems probable that production during the 1936-37 feeding period will be less than a year earlier, because of the short supplies of feed and relatively low prices of butterfat compared with feeds and meat animals. It seems probable that during the coming winter butter prices will rise above the late summer peak, and for the winter as a whole will average higher than in 1935-36 and the highest since 1929-30.

The price of 92-score butter at New York in October averaged 32.9 cents; 2.1 cents less than in September and 2.6 cents less than in August, but 4.8 cents higher than a year earlier. Butter prices usually increase from August to October. The index number of butter prices which is adjusted for seasonal variation (1910-14 = 100) declined from 124 in August to 104 in October.

The farm price of butterfat in mid-October of 33.5 cents was 2.0 cents less than a month earlier, but 7.6 cents higher than in October 1935. The farm price of butterfat in October was equivalent to the farm price of 20.7 pounds of feed grains compared with 23.3 pounds a year earlier and the 1920-34 average of 32.8 pounds. Butterfat prices are also low in relation to by-product feeds, and meat animals. Butterfat prices will probably remain low in relation to these other products throughout the 1936-37 feeding period.

Estimated production of creamery butter in September was 7.0 percent less than a year earlier and the smallest for the month since 1932. Trade reports for some sections of the Middle West indicate that production in October was larger than in October 1935. The decline in production from July to September has been decidedly less than average. The index of production, adjusted for seasonal variation, rose from 91 in July to 111 in September.

In the fall of the drought year 1934, butter production was high but during the winter of 1934-35 it was relatively low. It seems probable that somewhat similar changes in production will occur this year.

Trade output of creamery butter in September was 9.5 percent less than the peak trade output for that month in 1935. Retail prices of butter in September were 31 percent higher than a year earlier. These changes indicate that consumer expenditures for butter in September were about 21 percent higher than in September 1935. With the improvement in consumer purchasing power, it seems probable that expenditures for butter during the coming winter will be considerably larger than in the last winter.

Storage stocks of creamery butter on November 1 of 105,300,000 pounds were 14,900,000 pounds less than a year earlier and, except for 1931 and 1932, the smallest for the month since 1925. The out-of-storage movement in October was unusually small. This was probably due to the relatively high production. This high level of production during the fall indicates that the supplies available for consumption during the coming winter will not be as much below 1935-36 as appeared probable a month ago.

In early November the price of 92-score butter at New York City was 10.1 cents higher than New Zealand butter in London, compared with 12.1 in late September. Imports of butter in September amounted to 539,000 pounds compared with 122,000 pounds a year earlier.

CHEESE

The high level of dairy production during the fall compared with mid-summer has resulted in lower prices of cheese. Production has been high, and storage stocks have increased. Trade output in September was less than a year earlier but high compared with other years. With prospects for lower total production of manufactured dairy products during the coming winter than in 1935-36, and with higher consumer purchasing power, the outlook is for higher prices of cheese during the winter months.

The price of cheese (twins) on the Wisconsin Cheese Exchange in October averaged 16.4 cents compared with 17.6 2 months earlier and 14.2 cents in October 1935. Cheese prices usually increase from August to October. This year with the decline in price the index number of cheese prices, adjusted for seasonal variation, declined from 124 in August to 106 in October (1910-14 = 100). Following the drought of 1934, cheese prices reached a peak in August, declined in September and October, then rose to the winter peak in February, and remained relatively high through April. It seems probable that a somewhat similar change in prices is in prospect for the 1936-37 season.

Cheese production in September was 11 percent less than a year earlier, but the second highest on record for the month and 43 percent above the 1925-29 average for the month.

Trade output of cheese in September was 6 percent less than the peak trade output for the month a year earlier but, except for 1935, was about as high as ever reported for the month. The retail price of cheese was 16 percent higher than a year earlier. These changes indicate an increase of about 9 percent in consumer expenditures for cheese from September 1935 to September 1936. Consumer expenditures for cheese during the coming winter will probably exceed those of a year earlier.

Storage stocks of American cheese increased in October, in contrast to the usual decline. The increase this year was probably due to the high level of production during October.

Total imports of cheese are higher than in 1935 but decidedly less than in the pre-depression period, 1925-29.

POULTRY AND EGGS

Market prices of eggs in October advanced at about their usual seasonal rate, and are expected to follow their average seasonal course this fall and winter, reaching a peak in November. Receipts and storage stocks continue below those of 1935. Farm prices of chickens are declining at a greater-than-average seasonal rate owing largely to the exceptionally heavy receipts. This rapid decline is likely to continue until mid-winter when receipts will have passed their peak.

The market price of mid-western special packed eggs at New York averaged 33.5 cents per dozen in October, compared with 29.8 cents in September and 32.8 cents in October 1935. The farm price rose, too, from 24.5 cents on September 15 to 27.6 cents on October 15. The farm price of chickens, however, declined from 14.9 cents on September 15 to 14.0 cents on October 15. It was 15.7 cents on October 15, 1935.

Receipts of eggs at the four markets in October 1936 were 591,000 cases compared with 640,000 cases a year earlier and a 5-year average of 635,000 cases. In recent years, only 1934 has had smaller October receipts than this year. With feed costs unfavorable for feeding for heavy egg production, receipts are likely to continue low during the winter.

Receipts of dressed poultry at the four markets in October were 33,600,000 pounds compared with 27,800,000 pounds a year earlier and a 5-year average of 30,400,000 pounds. In no year since 1929 has this figure been exceeded in October. A heavy hatch, together with the effects of the drought, resulted in unusually heavy marketings.

Storage stocks of case eggs on November 1 were 3,790,000 cases compared with 4,644,000 cases a year earlier and a 5-year average of 4,684,000 cases. Stocks of frozen poultry on November 1 were 105,078,000 pounds, compared with 53,200,000 pounds a year earlier and a 5-year average of 61,400,000 pounds. The largest November 1 stock in earlier years was the 86,900,000 pounds in 1929. Poultry stocks usually reach a peak in January, and it is expected that they will reach a record level in January 1937. A large turkey crop is partly responsible for these exceptionally large storage stocks.

WOOL

Wool prices in the domestic market advanced during the last month. The rise in domestic prices was accompanied by increased sales in the Boston market and higher prices in foreign markets. The advance in the Boston market followed the report of a 20 percent decline in stocks of raw wool in the hands of dealers and manufacturers at the end of September compared with a year earlier. Domestic prices for the next few months will be governed chiefly by changes in prices in foreign markets, since supplies of wool in this country are relatively small and imports will be necessary. Mill consumption of wool in the United States during the final quarter of this year probably will show a further decline compared with the high consumption of 1935.

Wool prices have advanced in Southern Hemisphere markets since the middle of September. The United Kingdom and most continental European countries are buying freely in Australia. Italy and Japan have made relatively large purchases of wool in the Union of South Africa. The recent currency changes in France and Italy may result in some adjustment of wool textile activity in the principal foreign consuming countries. The devaluation of the franc is expected to improve the competitive position of France in the export markets for manufactured wool products and may enable the French industry to regain some of the export business in wool textiles lost in recent years.

Preliminary wool production estimates recently received from Argentina and Uruguay have not changes the supply situation materially. It appears that supplies for disposal in the five principal Southern Hemisphere wool producing countries during the 1936-37 selling season will differ very little from those of the 1935-36 season but will be about 5 percent smaller than the average for the five seasons 1930-31 to 1934-35. Present prospects are for an increase over last year of about 1 percent in supplies from Southern Hemisphere countries producing mostly merino wool and a decrease of about 2 percent from countries producing principally crossbred wool.

Quotations for fine (64s, 70s 80s) staple territory wool at Boston for the week ended November 7 averaged 93.5 cents a pound, scoured basis, compared with 89 cents a month earlier and 83.5 cents a year earlier. Territory 56s combing wool averaged 83 cents a pound, scoured basis, the first week in November, 79 cents the first week in October, and 72.5 cents in the first week of November 1935. The United States average farm price of wool on October 15 was 26.4 cents a pound compared with 26.5 cents on September 15 and 21.3 cents on October 15, 1935.

Stocks of apparel wool held by dealers and manufacturers in the United States on September 26 totaled 125,340,000 pounds, scoured basis, a reduction of about 20 percent compared with the same date in 1935. About 79 percent of the total stocks held on September 26 was domestic wool compared with 88 percent in September 1935. In view of the relatively small stocks of wool now on hand, it appears probable that stocks of wool in the United States on April 1, 1937, the beginning of the new wool marketing year, will continue to be much below average and may be smaller than a year earlier.

Domestic mill activity declined in September. The weekly average consumption of apparel wool by United States mills was 5,369,000 pounds in September compared with 5,751,000 pounds in August and 5,802,000 pounds in September 1935. Consumption of apparel wool from January through September of this year totaled 200,500,000 pounds, scoured basis, which was 8.5 percent smaller than in the same months of last year but was larger than in the corresponding period of any previous year since 1923.

United States imports of apparel wool have been increasing since the middle of 1935, largely as a result of short supplies and the high level of mill consumption of wool in this country. In the first 9 months of 1936 imports of apparel wool for consumption totaled 81,000,000 pounds compared with 15,000,000 pounds in the same months of 1935.

COTTON

Cotton prices were comparatively steady during October and the first week of November. They declined only moderately on November 9 and 10 following the release of the November 1 report of the Crop Reporting Board which estimated the 1936 crop in the United States at 12,400,000 bales. The demand outlook for American cotton continues to be featured

by prospects for the continuance of a very high degree of textile activity and a high level of cotton consumption throughout the world in general and in the United States in particular, and also by prospects for a new record high output of foreign cotton which, however, will tend to exert its major effect upon exports of and foreign consumption of American cotton in the last half of the season.

The price of Middling spot cotton at 10 markets averaged 12.07 cents in October compared with 12.05 in September and 10.96 in October 1935. The high for the month was 12.34 on October 1 and the low 11.84 cents on October 26. Prices were 12.09 and 12.00 cents, respectively, on November 9 and 10, following the release of the November Crop Report compared with 12.12 and 12.20 cents, respectively, on November 6 and 7. The average for the week ended November 14 was 12.01 cents compared with 12.11 cents in the preceding week. Important price strengthening factors during recent weeks have been the continued high level of world mill activity and cotton consumption, especially in the United States, and the comparatively small world supply of American cotton even after allowing for the recent substantial increase in crop prospects. The prices of Indian and Brazilian cotton, expressed as a percentage of American at Liverpool, strengthened slightly in October as compared with September, but the ratio of the price of Egyptian Uppers to the price of American declined. On the whole, the prices of foreign cottons are such as to encourage their consumption at the expense of American.

A United States cotton crop of 12,400,000 bales was forecast by the Crop Reporting Board, based upon conditions as of November 1. This is an increase of 791,000 bales over the forecast as of October 1, compares with an actual crop of 10,638,000 bales in 1935, and an average of 14,414,000 bales in the 10 years 1923-24 to 1932-33. A production of 12,400,000 bales, plus a world carry-over of approximately 7,000,000 bales, gives a supply of American cotton for the present season of 19,400,000 bales. This is about 250,000 bales less than the 1935 supply, about 1,000,000 bales or 5 percent less than the 10-year average supply, and 17 percent less than average supply in the 5-year period 1931-32 to 1935-36. United States production, plus a foreign production which is preliminarily estimated at 17,500,000 bales, indicates a total world production for 1936-37 of nearly 30,000,000 bales. Should world production turn out to be as large as anticipated, it will constitute a record high, the largest crop of any previous year being 28,400,000 bales in 1926-27. On the basis of the November report, the American crop will represent 41.5 percent of total world production in 1936-37, compared with 63.3 percent in 1926-27 and an average of 56.3 percent in the 10-year period ended 1932-33.

The world supply of all kinds of cotton in 1936-37 is expected to amount to about 42,100,000 bales with American cotton accounting for a considerably smaller proportion of the total than the average in earlier years. The tendency for the production and the supply of American cotton to represent a smaller share of the total world production and supply of all kinds of cotton implies not only the existence of a larger supply of foreign cotton competing with American, a reduced demand for American cotton in foreign countries, but also it implies that changes in the supply of American cotton tend to have a considerably smaller influence upon world cotton prices.

World consumption of all kinds of cotton so far this season has been running at a higher rate than in the corresponding months last year, according to the New York Cotton Exchange Service. World consumption of American cotton also is larger this year than in the same months last season due entirely to increased consumption in the United States. Foreign mills have been consuming American cotton in somewhat smaller quantities.

The domestic cotton textile industry continues to run at a very high level. It is reported that mill sales of unfinished goods during October exceeded the large output in that month by about 50 percent, and mills generally have added considerably to their already large backlog of unfilled orders. Mill margins, or the difference between the estimated value of cloth obtainable from a pound of cotton and the price of cotton, are very favorable at present. Margins advanced during October and averaged 14.88 cents for the month against 14.03 in September and 13.31 in October a year ago (based on 17 constructions of grey cloth). The very large volume of unfilled orders and the prospect of a continued improvement in general industrial activity make it seem probable that a high level of mill activity and cotton consumption will be maintained throughout the remainder of the season, even after allowing for the fact that some of the recent buying of cotton goods has resulted from the building up of stocks to normal proportions. Cotton consumption in October amounted to 646,000 bales and in the first 3 months of the current season to 1,851,000 bales, an increase of 17 and 31 percent, respectively, over consumption in the corresponding months of last year.

Trade reports indicate that generally favorable conditions prevail in the cotton textile industries in foreign countries. It is reported that British mills during the last 3 months booked orders in excess of current output, and there seems to be a tendency for mill activity and cotton consumption to increase. It is reported that the demand for yarn and clothing has improved in France and that mill margins are more satisfactory. German mills are still running at the maximum level permitted by law, and in Italy the outlook is believed to be more favorable than last month, but so far there has been little increase in cotton imports and mill consumption. Reports from Japan indicate that the recent high level of spinning and weaving activity is being well maintained. In practically all foreign countries, with the possible exception of Great Britain, the proportion of total cotton consumption represented by American cotton is smaller than in the corresponding months last year. However, exports of cotton from the United States and forwardings of American cotton to foreign mills have been well maintained as compared with the early months of last season, owing to a large consumption of all kinds of cotton and to very small stocks of American cotton in foreign countries at the beginning of the present season.

Exports of cotton from the United States amounted to 861,000 bales in October, an increase of 21 percent over exports in October 1935. Exports during the first 3 months of the current season totaled 1,613,000 bales compared with 1,440,000 bales in the same months of 1935 and an average of 2,149,000 bales in the 10 years ended 1932-33.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 2/ 1910-14 = 100	Commodity prices: United States: Wholesale 2/ 1926 = 100	Commodity prices: Foreign 4/ In foreign currency 1926 = 100	Interest rates in percent 5/	Industrial stock prices in dollars 6/
	1923 - 25 = 100								
1919	83	97	107	213	202	139	---	5.42	100
1920	87	117	108	211	225	154	---	7.37	90
1921	67	76	82	125	142	98	---	6.53	74
1922	85	81	91	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	105	3.90	100
1925	104	101	99	156	151	104	104	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	98	4.01	176
1928	111	102	99	149	141	97	98	4.71	226
1929	119	109	105	146	139	95	95	5.74	311
1930	96	89	92	126	126	86	85	3.56	236
1931	81	68	77	87	107	73	75	2.58	139
1932	64	46	64	65	95	65	70	2.58	65
1933	76	48	69	70	96	66	69	1.63	84
1934	79	62	79	90	109	75	71	1.00	98
1935	90	70	82	108	117	80	72	.79	120
1935-									
May	85	68	81	108	117	80	71	.75	114
June	86	66	80	104	116	80	71	.75	117
July	86	65	80	102	116	79	71	.75	123
Aug.	87	69	82	106	118	80	71	.75	127
Sept.	91	72	84	107	118	81	72	.75	132
Oct.	95	74	85	109	118	80	73	.75	135
Nov.	97	74	85	108	118	81	74	.75	144
Dec.	104	76	85	110	118	81	74	.75	142
1936-									
Jan.	98	72	83	109	118	81	74	.75	146
Feb.	94	72	83	109	118	81	74	.75	152
Mar.	93	76	84	104	116	80	74	.75	156
Apr.	100	77	85	105	116	80	74	.75	156
May	101	78	86	103	115	79	74	.75	149
June	103	79	86	107	116	79	75	.75	155
July	107	78	87	115	118	80	76	.75	162
Aug.	108	81	89	124	119	82	77	.75	166
Sept.	109	81	91	124	119	82	77	.75	168
Oct.				121	119	82		.75	175

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Review of Economic Statistics, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.

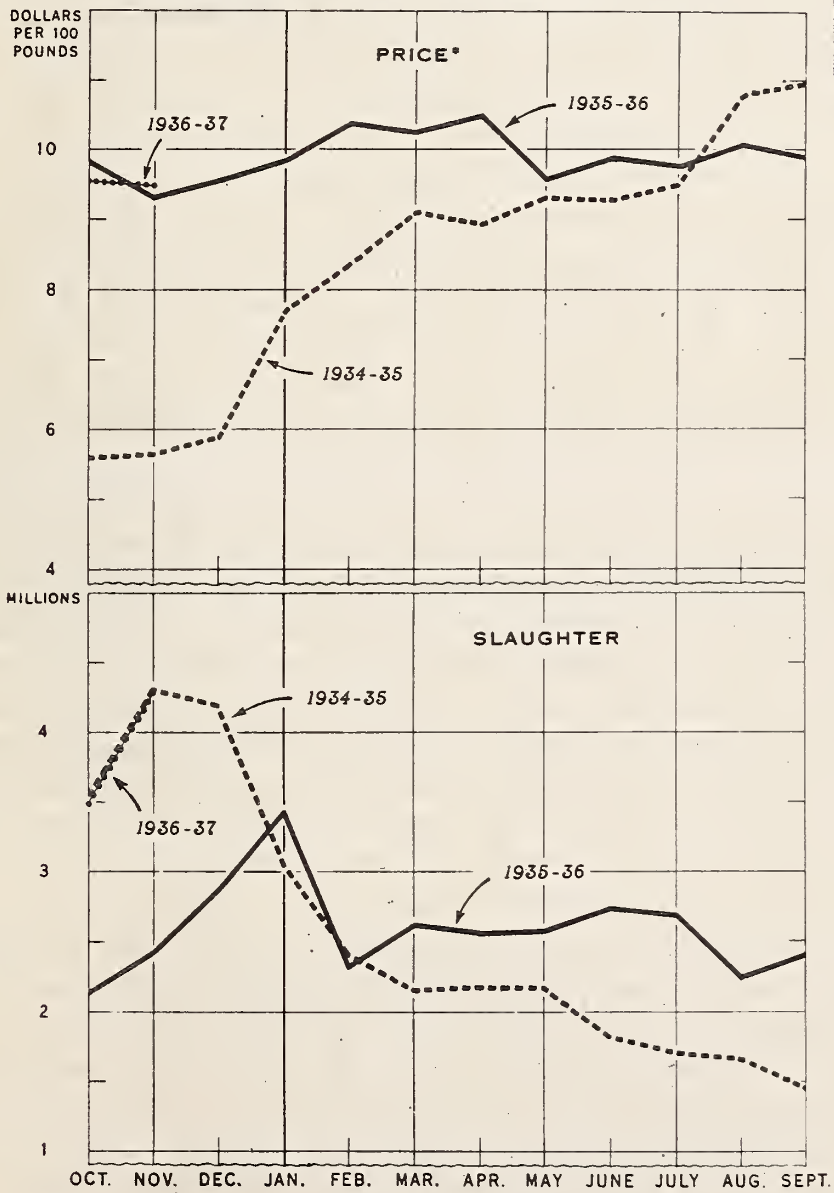
The PRICE SITUATION

DECEMBER 1936

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON

HOGS: AVERAGE PRICE AT CHICAGO AND FEDERALLY INSPECTED SLAUGHTER, 1934 TO DATE



*PACKER AND SHIPPER PURCHASES

U S DEPARTMENT OF AGRICULTURE NEG. 31979 BUREAU OF AGRICULTURAL ECONOMICS

Slaughter supplies of hogs increased greatly in the last three months largely because of liquidation and early marketings resulting from the 1936 drought. The decline in hog prices since September, however, has been only moderate despite the large increase in supplies, thus indicating further improvement in demand. It is expected that hog slaughter during the remainder of 1936-37 will be sharply reduced as was the case in 1934-35 following the drought of 1934. As supplies are reduced, hog prices in 1936-37 are likely to advance and the course of hog prices this year may be somewhat similar to that of 1934-35.

FARM PRICES

Judging from the movement of market prices, the general level of farm prices appears to have made a substantial rise since mid-November. A marked advance in wheat prices and moderate increases in prices of potatoes, hogs, cattle, wool, and cotton much more than offset slight declines in prices of lambs, corn and butter.

Wheat prices in domestic markets have risen since early November, largely as a result of higher world prices resulting from increased buying by European countries. In years which have been more or less similar to the present, domestic wheat prices in January usually have been higher than those in December. Whether or not this will be the case this year, with the present level of prices, will depend upon the extent and the rapidity with which reserves are accumulated by European importing countries. With normal weather conditions and demand not much different from the present level, feed grain prices are expected to fluctuate at, or slightly above the present level, with no large changes in prospect until they are influenced by 1937 crop prospects. However, if the winter turns out severe and feed requirements are thereby increased, or if improvement in the general demand for farm products continues, grain prices might be expected to advance accordingly.

Hog prices changed relatively little during November, but in early December prices strengthened and advanced fully 25 cents, notwithstanding that slaughter supplies reached new high levels for the current season and were the largest in nearly 3 years. During the next 2 or 3 months marketings are expected to be reduced much more than usual, and this will cause the seasonal rise in prices now underway to be greater than average. The prices of better grades of beef steers continued to strengthen during November, and early in December prices of choice and good cattle at Chicago reached the highest levels since the middle of February. Prices of medium and common steers weakened somewhat during the first half of the month, but regained a part of the loss before the end. Prices of better grades of butcher cattle followed those of better-grade steers. Cattle supplies are expected to continue large during December, with most of the remaining supply of long-fed cattle cleaned up by the end of the year. The average quality of slaughter cattle during the first half of 1937 will be much below that of the first half of 1936, but cattle prices, not only grade for grade, but as an average, are expected to be considerably higher than a year earlier. Prices of slaughter lambs at Chicago changed little during November, but during the first week of December prices weakened and the top declined to the lowest level yet reached for 1936 lambs. With slaughter supplies of lambs until the end of January, at least, likely to continue rather large and supplies of other livestock fairly large, no considerable change in lamb prices seems likely during this period. In the late winter and spring when supplies of other livestock will be sharply reduced, it is expected that the advance in prices of other livestock will be reflected also in lamb prices.

Butter prices have declined slightly during the last month and cheese prices have remained about the same. With the outlook for relatively light production of dairy products during the feeding period, butter and cheese prices will probably remain relatively high compared with other recent years throughout the winter.

Potato prices in terminal markets showed little change from October levels during the first 3 weeks of November, but made some gains in the last week of November and in early December. In view of short stocks and improving consumer purchasing power, the trend of potato prices is expected to be upward until new potatoes start moving in volume next spring. Seasonal advances in the price of late crop onions occurred at large city markets and shipping points during late November and early December. The flue-cured (types 11 and 12) tobacco markets, open during November, reported prices higher than those for the same month and for the season to December 1 of the previous year. Indications are that the price of all flue-cured tobacco for the 1936 season will be about 22 cents compared with 20 cents for the 1935 season.

Wool prices in domestic and foreign markets advanced sharply in October and November. Prices of domestic wools are now higher than at any time since 1929. Although the apparent world supply of wool is not greatly different from that of a year earlier, the strong demand for wool in most consuming countries probably will result in wool prices being well maintained in the next few months with some further advance not unlikely. Cotton prices were firm and comparatively steady during November, but a strong rise was experienced in the first part of December. In view of the very high level of activity in the domestic cotton textile industry, indications are that world consumption of American cotton will continue to be maintained throughout the season as a whole at a level not greatly different from that of last year.

The index of prices received by farmers in mid-November was 120 percent of the pre-war average, compared with 121 in October, and 108 in November 1935. The index of prices paid by farmers in November was about the same as in October, or 127 percent of the pre-war average, compared with 122 in November 1935. The ratio of prices received to prices paid by farmers declined slightly from 95 in October to 94 in November, compared with 89 in November 1935.

WHOLESALE PRICES

Wholesale prices in the last 5 weeks made the largest advance for any period of equal length since January 1935, and a further increase seems likely. The general level of wholesale prices advanced 2 percent from late October to early December to 121 percent of the pre-war level, the highest point in over 6 years. Much of the gain in recent weeks has been due to advances in prices of farm products and foods, each of these groups gaining 3 percent.

Prices of commodities other than farm products and foods combined also advanced in recent weeks, but more moderately, for although gains in prices of textiles, hides and leather products somewhat exceeded the gains in prices of farm products and foods, prices of house furnishings, fuel, and lighting materials made barely perceptible gains. Metals, chemicals, building materials and miscellaneous commodities have advanced moderately since October.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the week ended December 5 was 98 percent of the pre-war average, compared with 91 for the corresponding week last year and 86 percent 2 years ago.

The recent upturn in wholesale prices in the United States has a parallel in most of the major foreign countries. Prices in Canada have risen steadily since the low point of the year in May, the greatest gain occurring in prices of vegetable products. While the general index of 567 commodities in Canada has gained 7 percent since May, the index of Canadian farm products (70 commodities) has advanced 18 percent. The trend of prices in England has been similar to that in Canada; both Canadian and English prices are at the highest levels in 6 years.

Prices in France have increased 18 percent since devaluation of the franc, partly due to higher costs as a result of social legislation and a reduction in the hours of labor per week. Prices of all commodities are now 34 percent above the level of a year ago. Prices of agricultural commodities from January to August rose about twice as rapidly as did those of industrial products, whereas the situation since devaluation has been reversed, with industrial prices advancing twice as much as agricultural prices. Devaluation in the Netherlands likewise was followed by an advance in prices with a gain of 9 percent from September to October. Prices in Germany, on the other hand, have been practically unchanged from July through November. In order to carry out a new 4-year plan in Germany, the purpose of which is to maintain the existing price structure, a Reich Commissioner for Price Supervision was recently appointed and granted extensive powers, thereby returning to the centralized price control abandoned in July 1935.

A combined index of wholesale prices in the currencies of seven foreign countries, which are important markets for American farm products, advanced in October to 79 percent of the 1926 average, compared with 73 percent a year ago.

BUSINESS CONDITIONS

Industrial activity in November and the first half of December was at least as high as in September and October, with further increases occurring in the output of steel and automobiles. Retail trade increased more than seasonally from October to November and retail sales during the holiday season are expected to be the largest since 1929. The income of consumers has been increased by the continued upward trend in employment, the gradual lengthening of the number of hours worked per week, increases in hourly rates of pay in many industries, by wage bonuses and by record dividend payments in November

These increases have been partly offset by the decline in incomes resulting from strikes which have reduced output and employment in some industries, particularly in the shipping and lumber industries. The increase in consumer incomes has been eccompanied by higher farm income from farm marketings, which in November was about 10 percent higher than a year ago.

Automobile output increased sharply from October to November, and in recent weeks has been running at levels somewhat higher than at the same time a year ago. Steel activity has increased sharply, partly in response to announced higher prices for deliveries after January 1, and steel mill activity in the second week of December was at the highest level for the year. The backlog of steel orders on December 1 was the highest for any month since 1929. Orders by the railroads for steel rails, locomotives/and other equipment have been unusually large in recent weeks in contrast to the very low level for the past several years. There has also been a marked increase in orders for machine tools and miscellaneous steel products. Textile activity in November, particularly in the cotton and rayon goods industry, continued at high levels and was higher than in any other November since 1928.

The daily average of building contracts awarded in November was about the same as in October instead of making the usual seasonal decline. Increases in public works and utilities offset declines in residential and "all other" contract awards.

Retail sales in most lines of trade are making at least the usual seasonal increase during the holiday season. The Federal Reserve System's seasonally adjusted index of department store sales advanced from 90 in October to 93 in November and was about 10 percent higher than a year earlier. While department store sales in November were about 6 percent below those of the same period in 1930, retail sales in rural areas for November were the highest on record for the month(records going back to 1929). Automobile sales are also higher than for this season of any previous year. Variety store sales in recent months have been substantially higher than a year ago and in November were the highest for the month since 1929.

Industrial activity in most foreign countries appears to have been maintained or increased slightly in recent months. In Great Britain, the level of business activity has been unchanged since July with some decline in building activity being offset by increased activity in industries affected by international trade, particularly shipping, cotton textiles, and motor vehicles. The marked upward trend in prices of raw products has greatly improved the purchasing power of countries which are large producers of such commodities and is being accompanied by a rising standard of living in those countries and is stimulating international trade.

Practically all European countries report a further expansion in industrial activity, in recent months expansion being especially noticeable in Scandinavia, while only moderate improvement has taken place in France. In Japan there appears to have been some recession in business activity in recent weeks which has been accompanied by declines in commodity and stock prices. However, foreign trade of both China and Japan continues on the upward trend.

WHEAT

Wheat prices in domestic markets have risen since early November, largely as a result of higher world prices resulting from increased buying by European countries. Not only has current business been well maintained by the usual importing countries, but there have been noteworthy purchases by countries such as Italy and Germany, which in recent years have played a very minor role in the European wheat trade. According to current reports, several countries, including England, Germany and Italy intend to accumulate wheat reserves. Lack of moisture in the western winter wheat areas also tended to strengthen prices, especially the July future.

In years which have been more or less similar to the present, domestic wheat prices in January usually have been higher than those in December. Whether or not this will be the case this year, with the present level of prices, will depend upon the extent and the rapidity with which reserves are accumulated by European importing countries. On the basis of present estimates of production, total wheat supplies in exporting countries, excluding Russia, are fully ample to take care of estimated net deficits in importing countries and also to permit of the accumulation of substantial reserves. With stronger world demand and with supplies substantially smaller than in recent years, prices are likely to fluctuate more than usual.

The average United States farm price of wheat on November 15 was 106.5 cents per bushel compared with 106.8 cents in October and 87.6 cents, the revised figure for November, 1935. No. 2 Hard Winter Wheat at Kansas City and No. 2 Red Winter at St.Louis for the week ended December 5 averaged about 6 cents higher than for the week ended November 15. All prices continued to rise during the week ended December 12.

Prices of No. 2 Red Winter at St.Louis and No. 2 Hard Winter at Kansas City are about 25 and 19 cents higher, respectively, than a year ago, while No. 1 Dark Northern Spring at Minneapolis is about 11 cents higher. Higher prices this season are due to higher world price levels, which are the result of increased demand and smaller supplies. No. 3 Manitoba Northern Spring at Winnipeg and Parcels at Liverpool are 26 and 35 cents higher, respectively, than they were a year ago.

During the past month the price spread between the United States and world wheat markets widened. No. 2 Hard Winter at Kansas City was 21 cents higher than No. 3 Manitoba Northern Spring at Winnipeg for the week ended December 5 compared with $17\frac{1}{2}$ cents and $15\frac{1}{2}$ cents, the average spreads for November and October, respectively. The spread between domestic hard winter prices and Canadian spring wheat prices has been narrower this season than during the corresponding period in the last 3 years when crops were also less than domestic needs. Compared with the 21 cents for early December this year, the spread for the same wheats and periods was 33 cents in 1935, 32 cents in 1934, and 26 cents in 1933. Any increase in the demand for hard red spring wheat, the supplies of which are less than we normally use, will tend to widen this spread. Although winter wheat production was 55,000,000 bushels larger than in 1935, the hard red spring and hard red winter wheat crops combined are about the same as in 1935.

Present indications are for a net winter-wheat acreage increase in the Danubian Basin countries of probably 5-10 percent. It seems likely that a full acreage will be planted generally in the western Mediterranean countries, particularly France and Italy. No information is available for Spain but it is doubtful that seedings have progressed normally. In the British Isles, after 2 seasons of decline, some increase now seems likely. Fall grain seedings in the Soviet Union are now reported to show a slight increase. The wheat acreage in China is definitely smaller.

The world production of wheat, excluding Russia and China, for 1936 is now estimated at 3,486,000,000 bushels, compared with the November estimate of 3,469,000,000 bushels. This increase is accounted for, almost entirely by the revision in the estimate for Argentina, which is now placed at 155,000,000 bushels, compared with the estimate of 140,000,000 bushels a month ago. On the basis of the present estimate of production and July 1 stocks, estimated at 747,000,000 bushels, total world supplies, excluding Russia and China, for the current marketing year amounted to 4,233,000,000 bushels. This is the smallest supply since 1926, when it was 4,198,000,000 bushels. The intervening period since 1926 includes years of very large supplies, and the reduction to present levels implies that burdensome surpluses have now been eliminated.

CORN AND OTHER FEED GRAINS

With normal weather conditions and demand not much different from the present level, feed grain prices are expected to fluctuate at or slightly above the present level, with no large changes in prospect until they are influenced by 1937 crop prospects. However if the winter turns out severe and the feed requirements are thereby increased or if improvement in the general demand for farm products continues, grain prices might be expected to advance accordingly.

The weekly average price of corn for all grades and classes at the five markets was practically unchanged during November and early December, fluctuating within the narrow limits of $1.02 and $1.06 per bushel. December future prices of corn were generally lower than cash prices in October and early November, but, as the delivery month approached, future prices advanced to the cash level. The price of No. 3 White oats at Chicago advanced slightly during November and the average price for the week ended December 5 was 4.7 cents per bushel or 2 cents higher than a month earlier. The price of No. 3 barley at Chicago advanced from a weekly average of $1.16 per bushel for the week ended November 28 to $1.21 for the week ended December 5.

The October 1 supply of corn, oats, barley and grain sorghums, consisting of stocks of corn and oats October 1 plus production of corn, barley, and grain sorghums is estimated at 64,555,000 short tons compared with 91,723,000 tons last year and 101,155,000 tons for the 1928-32 average. Of the combined oats and corn supply 80 percent was made up of corn and 20 percent of oats. The respective percentages in 1935 were 80 percent and 20 percent, in 1934, 87 percent and 13 percent, and for the 1928-32 average 83 percent and 17 percent. As oat supplies have been large compared with corn supplies during the past year, oats prices have been relatively lower than corn prices.

The relative price of oats adjusted for seasonal variation and based on the 1910-14 level, was 116 on November 15 compared with 159 for corn. The July-September disappearance of these grains indicates that oats are being utilized somewhat more rapidly than corn. Relatively low oats prices can be expected to cause a continuation of a more rapid disappearance of oats and some increase in the price of oats relative to corn may occur during the next few months.

Market receipts of corn at the 10 primary markets totaled 16,426,000 bushels in November compared with 17,664,000 bushels last year and 7,852,000 bushels in 1934. Receipts and commercial utilization are expected to be smaller in quantity but larger as a percentage of production during the present marketing year than in 1935-36. For the crop marketing year 1935-36, beginning in August, market receipts of barley at four markets totaled about 85,000,000 bushels, the largest since 1928-29, and 74 percent larger than in 1934-35. In the first 4 months of the present marketing year receipts continued large in response to an active demand and high prices for malting barley.

Wet process grindings of corn in 1935-36 exceeded 72,000,000 bushels. This was 31 percent larger than in 1934-35, and the largest amount used since 1929-30. The amount used in the present marketing year is expected to fall short of the large grindings of last year, but to exceed the amount ground in 1934-35. Grindings in November totaled 5,425,000 bushels compared with 5,636,000 in November 1935 and 4,275,000 bushels for this month 2 years ago.

The margin between domestic and Argentine corn prices remained above an import basis during October, November and early December. In October 6,182,000 bushels were imported from Argentina compared with 3,466,000 bushels in September this year and 3,883,000 bushels in October 1935. The November importations are not yet available, but figures showing weekly arrivals of foreign grain indicate a substantial reduction largely as a result of coastal labor difficulties. Domestic oats prices since the beginning of the marketing year have been only slightly higher than foreign prices and importations have been small.

The sharp advance in barley prices since July has not been accompanied by an equal advance in Canadian barley, and imports since the beginning of the crop marketing year have increased rapidly. Total imports during the period July to October, inclusive, totaled 4,899,000 bushels compared with 391,000 bushels for this period last year and 3,068,000 bushels for this period 2 years ago. Indications are that barley imports during the current marketing year may be larger than in 1934-35 when they represented about 9 percent of the total supply. An active demand from breweries during recent months has been an important factor supporting domestic prices and stimulating importations.

Supplies of soybeans and soybean meal will be somewhat smaller during the 1936-37 marketing year beginning October 1 than they were in the previous year. The November estimate indicates a crop of 26,054,000 bushels in the six leading states compared with 37,691,000 bushels in those states last year, but with the exception of the 1935 crop this is the largest crop on record. Soybean prices have advanced sharply since June and the average farm price on November 15 was $1.12 compared with 69 cents on that date last year. Soybean prices are supported by an active demand from industry and below average supplies of competing products.

Increased production and relatively low prices for soybeans resulted in a large percentage of the crop being used commercially during the past 2 marketing years. Since a large percentage of the oil produced from soybeans is used by the food products industries, the price relationship between cottonseed and soybean prices is an important factor in determining the amount of soybeans processed. Sharp increases in soybean prices since June have advanced the price of soybeans relative to cottonseed and reduced their competitive advantage.

FLAXSEED

Domestic flaxseed prices have advanced sharply since June, influenced principally by reduced prospects for the 1936 crop. Monthly average prices of No. 1 flaxseed at Minneapolis have exceeded $2.00 per bushel for each of the first 4 months of the present crop marketing year beginning August 1, compared with monthly averages ranging from $1.53 to $1.80 for corresponding months of 1935. The United States crop estimate of November 1 was 6,100,000 bushels compared with 14,100,000 bushels last year and, with the exception of the 1934 crop of 5,700,000 bushels, was the smallest on record. Foreign supplies are expected to be slightly larger than last year and to offset, at least partially, the smaller domestic supply. With domestic demand strong, present indications are that imports will be larger during the present marketing year than in 1935-36, and that the yearly average of domestic prices will be higher than in any other year since 1929-30. Since domestic prices fluctuate rather closely with world prices, they may weaken after January if the Argentine crop is as large as present conditions indicate.

The price of No. 1 flaxseed at Minneapolis advanced from a weekly average of $1.66 per bushel for the week ended June 13 to a high of $2.19 for the week ended September 12, then declined during the last half of the month and remained below the September peak during October and November. The average price for the week ended December 5 was $2.13 per bushel. The average farm price of flaxseed on November 15 was 190.2 cents per bushel compared with 186.1 cents on October 15 and 153.2 cents on November 15 last year.

Foreign prices of flaxseed have advanced with domestic prices during the last 6 months, but increases at foreign markets have been smaller, resulting in a wider spread between United States and foreign prices. The margin between the price of Buenos Aires flaxseed of export grade and No. 1 flaxseed at Minneapolis, averaged 57 cents in June, and increased to an average of 96 cents in October. The margin over No. 1 Canadian Western flaxseed at Winnipeg was 31 cents for June and 49 cents for October.

Total domestic supplies of flaxseed for the 1936-37 marketing year, including a carry-over of 3,300,000 bushels on July 1 and the 1936 crop, are estimated at 9,400,000 bushels, compared with 16,300,000 bushels in 1935-36, and 8,200,000 bushels in 1934-35. After deducting probable seed requirements and allowing for crushings and importations from July to September,inclusive, total supplies on October 1 were estimated at 6,200,000 bushels, compared with 13,700,000 bushels on that date last year. Domestic utilization of flaxseed in the period October 1 to July 1 of 1935-36 totaled 20,500,000 bushels, and the prospects are that utilization for this period of the current marketing year will again exceed 20,000,000 bushels, necessitating large imports during the remainder of the marketing year.

Based on present indications the total world supplies of flaxseed in prospect for 1936-37 will be about the same as those of last year. With favorable weather for the remainder of the growing and harvesting season, the Argentine crop to be harvested in December and January may approximate 70,000,000 bushels or 14,000,000 bushels larger than production last year and about equal to the 1923-32 average. The Canadian crop is estimated to be 21 percent larger than that of last year, but only about one-third of the 1923-32 average, and substantially below usual Canadian requirements. Moderate reductions in European and Indian crops have been more than offset by a large increase in the prospective Argentine crop and a slight increase in the prospective Uruguayan crop. The prospective world production for 1936-37, including the Indian crop harvested last March and the Argentine crop to be harvested in December and January is expected to amount to about 140,000,000 bushels compared with 137,000,000 bushels last year and the 1923-32 average of 145,000,000 bushels. During the period 1923-32 the United States produced 11 percent of the world production and Argentina 48 percent. This year, as a result of the severe drought, the United States will produce only about 4 percent and Argentina about 50 percent.

During the last few years there has been a steady decrease in the percentage contributed by linseed oil to the total oil used by the paint and varnish industry. In 1931 linseed oil represented 77 percent of the total and in 1935 only 62 percent. Increases in other oils used during this period were greatest for perilla, tung, and fish oil, with a moderate increase in soybeal oi. The imposition of a tax of 4.5 cents per pound on imports of perilla oil and a smaller soybean crop may result in a reduction in the amounts of these oils used by these industries in the coming year, and a further increase in the percentage of oils other than linseed may not occur in 1936-37.

Demand for linseed oil has shown steady improvement during the last 4 years. Total United States consumption of linseed oil increased from 348,000,000 pounds for the fiscal year 1932-33 to 470,000,000 pounds in 1935-36, accompanied by a substantial increase in prices. During the period July-September of the present marketing year factory consumption of linseed oil totaled 79,700,000 pounds. This exceeded the consumption of last year by 6,000,000 pounds, and was the largest for this period in recent years.

During the first 10 months of 1936 building activity in the United States has averaged 64 percent larger than in the same period of last year. Further improvement is expected in 1937, which would give additional strength to the demand for linseed oil. Building activity in important European importing countries in 1937 may also exceed the 1936 level. Demand for linseed meal will be stronger than a year earlier as a result of the sharp reduction of feed crops.

POTATOES

Potato prices in terminal markets showed little change from October levels during the first 3 weeks of November, but made some gains in the last week of November and in early December. Production in the late States indicates that the present per capita supply of potatoes is the smallest since the 1925-26 season. In view of short stocks and improving consumer purchasing power the trend of potato prices is expected to be upward until new potatoes start moving in volume next spring.

On the New York wholesale market potato prices averaged $2.05 per 100-pound sack (l.c.l.) for the month of November, and advanced to $2.41 the first week in December. At the same time a year ago the price was only $1.78. At Chicago the November average was $1.81 per 100-pound sack (carlot basis) and $1.95 in the first week of December. Prices a year ago at Chicago averaged $1.25 per 100-pound sack. As shown in the following table, shipping point prices also made advances in the first week of December.

Potatoes: Shipping point prices, 1935 and 1936

Locality	F.o.b. per 100-lb. sack			Cash to grower bulk per 100-lb.		
	Week ended			Week ended		
	Dec. 5, 1936	Nov. 7, 1936	Dec. 7, 1935	Dec. 5, 1936	Nov. 7, 1936	Dec. 7, 1935
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Presque Isle, Me.	1.88	1.50	1.12	1.75	1.27	.97
Rochester, N. Y.	1.93	1.72	1.22	1.57	1.38	.97
Benton Harbor, Mich.	1.78	1.52	1.04	---	---	---
Waupaca, Wis.	1.66	1.57	.97	1.30	1.22	.70
Idaho Falls, Idaho	1.78	1.78	1.05	1.54	1.50	.80

The average farm price of potatoes for the United States was 98 cents per bushel on November 15, which is practically the same as the average price on October 15, but 58 percent higher than that of November 1935. Farm prices in the late surplus potato States in November of this year ranged from 75 cents per bushel in Maine and Utah to $1.25 in South Dakota.

Shipments of potatoes thus far this season have been relatively heavy. The late surplus States shipped 63,000 cars to December 5, 1936, compared with 52,000 cars to the same date in 1935.

ONIONS

Seasonal advances in the price of late crop onions occurred at large city markets and shipping points during late November and early December. Prices of eastern and mid-western grown stock showed considerable improvement, but price changes of western Valencias were less marked. It is expected that prices will show some additional advances before the first of the year, but in view of the large holdings it is doubtful if any decided improvement will occur during the next 2 or 3 months.

This year's record production of late onions, estimated to be 11,810,000 100-pound sacks, with much of it produced near the large consuming centers in the eastern half of the United States, resulted in relatively low prices in October and November. Favorable factors this season, however, are improved demand, smaller supplies of potatoes and other stored truck crops, and the possibility of an improved export demand resulting from a probable reduction in exports from Spain because of unsettled conditions in that country.

Yellow onions were selling at 50 to 60 cents per 50-pound sack at Western and Central New York shipping points during early December. A month earlier prices ranged from 40 to 45 cents. These compare with a price range of $1.00 to $1.10 in December 1935. At Benton Harbor, western Michigan yellows were quoted recently on a carload f.o.b. usual terms basis at 45 to 55 cents per 50-pound sack. A month earlier the price range was 35 to 40 cents, and in December 1935, stock was selling at 75 cents to $1.00 per 50-pound sack.

On the New York City wholesale market, New York yellows sold recently at 50 to 75 cents per 50-pound sack, prices having advanced 10 to 15 cents in late November and early December. Idaho and Washington Valencias showed little change in price, recent sales being made at $1.05 to $1.15 compared with $1.00 to $1.15 a month earlier. In Chicago carlot sales of Michigan yellows were made in early December at 50 to 58 cents per 50-pound sack compared with 40 to 50 cents a month earlier.

A total of 337 carloads from important late producing States were shipped during the week ended December 7 compared with 384 the preceding week and 552 during a corresponding week in December 1936. Shipments this season from the important late States, up to and including December 5, total 11,073 carloads. The total last season, up to a corresponding date, was 11,476 carloads.

CABBAGE

Late cabbage prices at market centers advanced materially in November, but some of the gains were lost during the first week in December. Since there is prospect of a record production of cabbage in the Southern States in the 1937 season, it is possible that prices in general will decline more than seasonally when movement from these States attains considerable volume. It is quite probable that the peak in prices for the late 1936 crop has been passed.

Western New York f.o.b. prices on Danish type cabbage at shipping points advanced from $16 to $18 sacked per ton to $24 to $28 during the last month. More recent sales were made at $20 to $23 per ton. A year ago Danish type cabbage sold at $15 to $19 sacked per ton, f.o.b. New York shipping points.

Prices of Danish type cabbage in the large city wholesale markets followed similar trends in November and December. On the New York City market Danish type cabbage sold recently to jobbers at 60 to 75 cents per 50-pound sack compared with 50 to 60 cents a month ago and a year ago. On the Chicago market New York Danish sold recently at 85 to 90 cents per 50-pound sack.

Increased plantings for the 1937 season have resulted in relatively large volumes moving to market from early producing States. Prices this fall have ranged under those of a year ago. During the month of November this year South Carolina pointed type averaged about $1.70 per 100 pounds on the New York market compared with $2.30 in November 1935.

Carlot shipments of the 1936 season crop during the week ended December 7 totaled 461 compared with 408 carloads for the preceding week and 465 for the corresponding week in the fall of 1935. The total number of cars shipped this season through December 5 was 21,718 compared with 19,297 up to a corresponding date last year.

Based on present intentions to plant and average yields, a record production of cabbage in the early States, accompanied by relatively low prices, is in prospect. December 1 estimates of acreage planted and intended to be planted for the 1937 season in the fall, early, and second early States indicate an increase of 10 percent over the 1936 acreage, 95 percent over 1935, and 59 percent over the average for the 5-year period, 1928-32.

TOBACCO

The flue-cured (types 11 and 12) tobacco markets, open during November, reported prices higher than those for the same month, and for the season to December 1, of the previous year. Indications are that the price of all flue-cured tobacco for the 1936 season will be about 22 cents compared with 20 cents for the 1935 season. The fire-cured (type 21) tobacco prices for sales during November averaged about the same as those for November of the previous season, but were below those received in November of 1934. The 1936 supply of burley is 897,861,000 pounds, a decrease of 93,641,000 pounds from the previous year. This is the largest decrease since 1927 when the decrease of 127,945,000 pounds was accompanied by a price increase of 12.8 cents. It appears that the increased consumption of cigarettes, together with the decreased supply will result in an average burley price considerably higher than that of the 1935 season.

For the flue-cured crop being marketed during November, the price of type 11 for the season to December 1 was 23.5 cents compared with 21.5 cents for the same period of the previous year, while the price received for type 12 was 23.1 cents compared with 21.0 cents to December 1 of the previous year. The decrease in production of flue-cured tobacco during 1936 was almost entirely offset by an increase in stocks, which makes the supply of flue-cured tobacco less than 1 percent below the supply in 1935. The higher prices received for flue-cured tobacco during the 1936 season were due largely to the increased demand for cigarettes, the manufacture of which accounts for about 75 percent of the domestic consumption of flue-cured. During the period January-October 1936, the consumption of cigarettes indicate by tax-paid withdrawals reached the record high of 128,368,000,000 which is 12.6 percent and 20.3 percent above the same periods in 1935 and 1934, respectively. Exports of flue-cured tobacco for the period July-October 1936 were 133,623,000 pounds (export weight) which is larger than that of the same period for any year since 1930.

Markets for Virginia fire-cured (type 21) tobacco opened November 17 with sales of 1,642,560 pounds during the remainder of the month at an average price of 11.3 cents compared with 11.1 cents for November 1935 and 14.1 cents for November 1934. Domestic consumption of products in which fire-cured tobacco is used (chiefly snuff) has remained at about the same level during the last 4 years, although a slight increase took place in the period January-October 1936 over the same period last year. Exports during the period October-September 1935-36 were the lowest on record, partly because of production of competing types in foreign countries, and partly because of a trend toward products of the lighter tobaccos.

In the burley (type 31) district, the Lexington market opened December 7 and the other burley markets opened December 8. Unofficial reports indicate that the average price on the opening market was approximately 10 cents per pound higher than a year ago. Official reports indicate that prices at the opening of the burley markets averaged from 1 cent to 15 cents per pound above last season's opening prices, depending upon the grade. The margin of increase was highest on the cigarette grades.

HOGS

Hog prices changed relatively little during November although there was a strong undertone to the market in view of the large supplies received, and an upward tendency developed near the close of the month. In early December prices showed further strength and advanced fully 25 cents, notwithstanding that slaughter supplies reached new high levels for the current season and were the largest in nearly 3 years. During the next 2 or 3 months marketings are expected to be reduced much more than usual, and this will cause the seasonal rise in prices now underway to be greater than average.

The weekly average of hog prices at Chicago reached the lowest level of the winter during the last week of October when it declined to $9.22 per 100 pounds. During November the weekly average fluctuated between $9.43 and $9.49, and in early December it advanced to $9.73. The average for November was $9.48, compared with $9.55 in October and $9.31 in November last year when the processing tax of $2.25 per 100 pounds was in effect. The spread in prices for the different weights and grades of hogs, which was extremely wide during the late summer, has decreased considerably in recent weeks, largely as a result of the prices of packing sows advancing more than those of other groups. Prices of extremely light weight hogs, however, are still selling at a considerable discount under the prices of medium and heavy weights.

Hog slaughter under Federal inspection during November, totaling 4,292,000 head, was 22.9 percent larger than that in October, 77.2 percent larger than the very small slaughter of November last year, and 11.6 percent larger than the 5-year average for the month. It was the third largest slaughter for November in the last 7 years. Slaughter during October and November combined this year was about 1 percent less than the slaughter in those 2 months of 1934. The spring pig crop this year, however, was slightly larger than that of 1934. The number of hogs for market during the next few months, therefore, is indicated to be slightly larger than the number that was available for market 2 years earlier. The geographical distribution of federally inspected hog slaughter during November indicates that an unusually large proportion of this slaughter supply came from the Western Corn Belt States, which was the area most severely affected by the 1936 drought and where feed supplies are extremely short. In years of plentiful feed supplies in this area, hogs from these States are marketed largely during the late winter and comprise a very large proportion of the late winter supply of all hogs. The unusually early movement of hogs from the Western Corn Belt this year is another indication that slaughter supplies during the late winter will be unusually small.

The winter low point in average weights of hogs was reached the week ended November 7, when the average for the seven principal markets combined was 206 pounds. The average at these markets in early December was 212 pounds. A year earlier it was 232 pounds. The low point in average weights during the winter of 1934-35 was 200 pounds and this average was maintained during most of December 1934.

The hog-corn price ratio, based on Chicago prices of hogs and corn, changed relatively little during November and averaged 9.1 for the month compared with 9.0 in October and 15.0 in November 1935. During the first week of December the ratio advanced to 9.3 which is the most favorable ratio in several months.

Wholesale prices of fresh pork advanced moderately during the early part of November but lost all of this advance during the second half of the month and prices at the end of the month were not greatly different from those at the beginning. In early December prices of fresh loins advanced slightly. Prices of most cured products made further declines in November. These declines carried bacon prices to new low levels for the year and to levels considerably lower than a year earlier. Prices of the lighter-weight hams also declined to near the low levels of the year and in early December were at about the same levels as those of a year earlier. Prices of picnics, fat backs, and lard, also are now lower than those of a year earlier.

Because of the large increase in hog slaughter in November over that in October, storage holdings of pork increased more than usual during the month. Those of lard also increased, whreas they are usually reduced during November. Stocks of pork on December 1, totaling 456,000,000 pounds, were 29 percent larger than those reported November 1, 80 percent larger than those of a year earlier and 6 percent larger than the 5-year average for that date. Lard stocks totaling 107,000,000 pounds, were about 13 percent larger than those of November 1, 182 percent greater than the very small stocks of a year earlier and 66 percent larger than the 5-year average for December 1.

The current hog situation is similar in many respects to that of 2 years earlier, following the severe drought of 1934. Many producers have been compelled to market their hogs much earlier than usual and at lighter than average weights because of the feed shortage. The scarcity and high price of feed also has caused them to raise fewer fall pigs and to plan for a smaller pig crop next spring. These developments will result in relatively small supplies of hogs for market throughout most of 1937. Since consumer buying power is much greater than that of 2 years earlier the supply and demand conditions indicate a relatively high level of hog prices during the next 12 months.

CATTLE

The prices of better grades of beef steers continued to strengthen during November, and early in December prices of choice and good cattle at Chicago reached the highest levels since the middle of February. Prices of medium and common steers weakened somewhat during the first half of the month, but regained a part of the loss before the end. Prices of better grades of butcher cattle followed those of better-grade steers. Low-grade cows declined to about the lowest levels of the season during the first half of November but also regained most of the loss in the second half. Prices of stocker and feeder cattle tended to strengthen somewhat during the last half of the month, reaching the highest level since early July. For the month of November the average price of beef steers at Chicago was $10.31 compared with $9.31 for October and $9.97 for November 1935. This was the first month since January that the average exceeded that of a year earlier. The averages of choice and good steers were below those of a year earlier, while those of medium and common were higher; also the proportions of the better grades were much larger this year than last. The November 15 farm price of beef cattle was $5.97 compared with $5.89 in October and $6.05 in November 1935. The farm prices of veal calves were $7.46 in November this year, $7.54 in October, and $7.65 in November 1935.

Supplies of cattle in November continued large. Receipts at seven leading markets were 7 percent larger than in November last year. Inspected slaughter of 988,000 head was 3½ percent greater than the large slaughter in November 1935, 28 percent above the 5-year November average, and was the largest for the month since 1919. Inspected slaughter of calves of 477,000 head was about 1 percent smaller than the record slaughter in November 1935, but 13 percent above the 5-year average for the month. Receipts of native beef steers at Chicago were 25 percent larger than in November last year, but below any other November in 15 years of record. Receipts of choice steers, however, were nearly four times as large as in November last year and much the largest for the month on record. The supply of well-finished heavy steers, over 1,200 pounds, continued large until about the middle of November, and prices on this kind continued at a sharp discount. Toward the end of the month receipts of heavy cattle tended to fall off rather sharply and early in December prices were about on a par, grade for grade, with those of light weights.

Demand for beef and other meats continued to improve. The total live weight of all livestock slaughtered under Federal inspection in November was the largest for the month in over 10 years and one of the largest for the month on record. Supplies of poultry, especially turkeys, were also quite large. Despite this large supply, prices of most classes of livestock either advanced or changed little. A much greater than usual seasonal decline in livestock slaughter is expected between December and next summer. If consumer demand shows further improvement, as is expected, the general level of livestock prices by next summer will show much more than the usual advance over November levels.

Cattle supplies are expected to continue large during December, with most of the remaining supply of long-fed cattle cleaned up by the end of the year. A fairly large number of warmed-up and short-fed steers is probable in January and February, but supplies of cows and heifers are likely to drop off rather sharply unless severe winter weather and short feed supplies should force further heavy marketings from the drought areas. The average quality of slaughter cattle during the first half of 1937 will be much below that of the first half of 1936, but cattle prices, not only grade for grade but as an average, are expected to be considerably higher than a year earlier.

LAMBS

Prices of slaughter lambs at Chicago changed little during November with the top price around $9.25 and common and medium lambs ranging between $3.00 and $8.50. During the first week of December prices weakened and the top declined to the lowest level yet reached for 1936 lambs. Prices of slaughter ewes strengthened during the latter part of the month. Prices of feeder lambs tended downward somewhat, the average cost of feeders at Chicago in November being $6.93 compared with $7.44 in October and $9.31 in November, 1935.

The average monthly prices of good and choice lambs at Chicago in November were $8.90 compared with $8.68 in October and $10.30 in November, 1935. The November 15 farm prices were $7.23 this year and $7.57 last, and October 15 this year of $7.25.

Supplies of slaughter lambs in November were large in relation to other months of the current marketing year, and also to November of other years. Inspected slaughter of 1,544,000 head was 10 percent larger than in November last year and also than the 5-year average and was the largest for the month on record. It was the second month of the current marketing year - beginning May 1 - that slaughter exceeded the corresponding month of 1935.

Slaughter supplies are expected to continue liberal during December and January and for the 5 months, December to April, will be larger than a year earlier. The number of lambs in feed lots on December 1 apparently was larger this year than last, with large increases in Texas and in all of the Western States except Colorado, more than offsetting the decrease in the Corn Belt and Colorado. Many of these lambs in the Western States are being held on beet tops and other pasture and will be shipped in December and January. Many of these have reached slaughter weights and the number that may be sorted out for further finishing in feed lots will not be large. Wheat pastures in Kansas and Oklahoma have not made the growth expected in October because of the general deficiency of rainfall during November. Some lambs on feed in these pastures have already had to move and most of the others will have to go elsewhere for feed by early January.

That lamb prices have declined while wool prices and pelt values have advanced rather sharply in the last 6 weeks reflects the general weakness in the dressed lamb markets. While wholesale prices of all kinds of meats were lower early in December this year than a year earlier, the decline on dressed lamb was much greater than that on either beef or veal and greater than most pork cuts, except loins. Compared with wholesale prices a month earlier lamb was down rather sharply while beef was mostly up and veal little changed.

With slaughter supplies of lambs until the end of January, at least, likely to continue rather large and supplies of other livestock fairly large, no considerable change in lamb prices seems likely during this period. In the late winter and spring when supplies of other livestock will be sharply reduced, it is expected that the advance in prices of other livestock will be reflected also in lamb prices.

BUTTER

Butter prices increased slightly from October to November. Production in October was 13 percent higher than that of a year earlier, and the highest on record for the month. The net movement of butter out of storage has been small and stocks on December 1 were above average. Apparent consumption of butter in October was the smallest in several years. Trade reports indicate that during November production declined more rapidly than in 1935. It is not probable that the relatively heavy production which occurred during the late fall will be maintained during the winter months. In view of the prospects for production during the coming winter, the seasonal decline in prices will probably occur later than usual.

The price of 92-score butter at New York in November averaged 33.6 cents per pound. This was 0.7 cents higher than a month earlier and 1.3 cents higher than in the corresponding month of 1935. The increase in prices from October to November was somewhat less than the usual seasonal increase.

The farm price of butterfat in mid-November of 33.1 cents was slightly lower than a month earlier, but was the highest for the month since 1930. The farm price of butterfat in mid-November was equivalent to the farm price of 20.7 pounds of feed grains compared to 31.5 pounds a year earlier, 18.5 pounds in the drought year 1934 and the 1920-34 November average of 34.9 pounds. Butterfat prices are also low in relation to beef cattle and hogs.

Production of creamery butter in October was 13 percent larger than in October 1935 and slightly larger than the preceding high for the month which occurred in the drought year 1934. This is in marked contrast to the situation in July when production was 17 percent less than a year earlier and the smallest since 1923. Following the period of relatively high production in the fall of 1934, production was relatively light during the winter of 1934-35. It seems probable that somewhat similar changes in production will occur during the coming winter.

Trade output of butter in October of 139,000,000 pounds was 6 percent less than in the same month of 1935 and the lowest for the month since 1929. In October 1935, however, there was a considerable volume of butter distributed by the Government for relief. Trade output through regular commercial channels in October 1936 was only 3 percent less than a year earlier. The changes in trade output and retail prices indicate that consumer expenditures for butter in October were 15 percent higher than a year earlier and the highest for the month since 1931.

Cold storage stocks of butter on December 1 of 89,000,000 pounds compare with 72,000,000 pounds a year earlier, and the 5-year average of 74,000,000 pounds. With the heavy fall production the out-of-storage movement has been unusually small.

In early December the price of 92 score butter at New York of 33.8 cents was 11 cents higher than the price of New Zealand butter in London. This margin compares with 10.1 cents a month earlier, and 13.7 cents a year ago. Imports of butter (for consumption) in October amounted to 650,000 pounds.

CHEESE

Cheese prices in November and early December were slightly less than in October. Production and stocks are large. Trade output is also relatively large, and estimated consumer expenditures for cheese are the highest since 1929. In view of the short supplies of meats that are in prospect for the coming winter, cheese consumption will probably continue relatively high throughout the winter. With the outlook for relatively light production of dairy products during the feeding period, cheese prices will probably remain relatively high compared with other recent years throughout the winter.

Cheese prices on the Wisconsin Cheese Exchange (twins) in November averaged 16.0 cents per pound compared with 16.4 cents in October and 15.1 cents a year earlier. The decline in price from October to November was about the same as the usual seasonal decline, and the index number of cheese prices (which is adjusted for seasonal variation) was unchanged at 106 percent of the 1910-14 average.

Production of cheese in October of 59,600,000 pounds was 6 percent larger than the preceding high for the month in 1935. Production increased from September to October in contrast to the usual seasonal decline, and the index of production (adjusted for seasonal variation 1925-29 = 100) rose from 143 in September to 163 in October.

Trade output of cheese in October was 7 percent less than a year earlier, but, except for 1935, was about as high as ever reported for that month. Retail prices of cheese were 10 percent higher than a year earlier. These changes indicate an increase of about 3 percent in consumer expenditures for cheese to the highest level for the month since 1929.

Cold storage stocks of American cheese on December 1 were 99,000,000 pounds compared with 93,000,000 pounds a year earlier, and the 5-year average of 81,000,000 pounds. With the heavy fall production, the out-of-storage movement has been relatively light.

Imports of cheese in October were 5,700,000 pounds compared with 6,000,000 pounds a year earlier, and the 1925-29 October average of 8,300,000 pounds.

POULTRY AND EGGS

Market prices of eggs followed their usual seasonal course in November, rising to what is probably the peak price for the year and beginning their winter decline. Winter prices are characterized by severe but temporary variations due to changing weather conditions. Receipts of eggs are running below those of 1935; storage stocks continue relatively low. These conditions, together with an improved consumer purchasing power over that of 1935, will tend to maintain winter egg prices above those of a year earlier.

Chicken prices continue to decline, though by more than the usual seasonal amount, as receipts continue heavier than in 1935. Storage stocks are much above those of 1935. It is not likely, therefore, that the usual rise will carry poultry prices in the spring to the levels of 1936.

The market price of mid-Western special packed eggs at New York averaged 39.7 cents per dozen in November, compared with 33.5 cents in October and 35.6 cents in November 1935. The farm price rose from 27.6 cents on October 15 to 32.5 cents on November 15. The farm price of chickens declined from 14.0 cents to 13.2 cents for these dates.

Receipts of eggs at the four markets in November 1936 were 443,000 cases, compared with 581,000 cases a year earlier and a 5-year average of 528,000 cases. These are the lowest November receipts since 1925. With feed costs unfavorable for feeding for heavy egg production, receipts are likely to continue low during the winter.

Receipts of dressed poultry at the four markets in November 1936 were 74,400,000 pounds, compared with 59,900,000 pounds a year earlier and a 5-year average of 66,900,000 pounds. Only in 1933 were November receipts greater than those of this year. These heavy marketings are due largely to the combination of a heavy hatch and to the effects of the drought.

Storage stocks of eggs on December 1 were 1,754,000 cases, compared with 2,738,000 a year earlier, and a 5-year average of 2,481,000 cases. Stocks of frozen poultry in cold storage on December 1 were 149,952,000 pounds, compared with 86,100,000 pounds a year earlier, and a 5-year average of 92,800,000 pounds. Peak stocks are usually reached by January 1 or February 1. The greatest stock in earlier years was 145,100,000 in 1927. The large stocks this season will keep spring poultry prices relatively low.

WOOL

Wool prices in domestic and foreign markets advanced sharply in October and November. The rise in prices was accompanied by large sales in all markets. Prices of domestic wools are now higher than at any time since 1929. Although the apparent world supply of wool is not greatly different from that of a year earlier, the strong demand for wool in most consuming countries probably will result in wool prices being well maintained in the next few months with some further advance not unlikely. Because of the small supplies of wool now available in this country changes in domestic wool prices for the next few months will depend to a considerable extent upon changes in prices in foreign markets.

Quotations for fine (64s, 70s, 80s) staple territory wool at Boston for the week ended December 5 averaged $1.06 a pound, scoured basis, compared with 93.5 cents a month earlier and 84 cents a year earlier. Territory 56s combing wool averaged 93 cents a pound, scoured basis, the first week in December, 83 cents the first week in November and 74.5 cents in the first week in November 1935. The United States average farm price of wool on November 15 was 27.2 cents a pound compared with 26.4 cents on October 15 and 22.6 cents on November 15, 1935.

Prices in English currency at the final 1936 series of London wool sales held from November 17 to December 2 were generally 15 to 30 percent higher than at the close of the previous series on September 25. The advance was greatest on medium and low crossbred wools. The increase in prices at London on a dollar basis was slightly smaller due to a decline of about 3 percent in the exchange rate of the British pound. Closing prices were slightly below the high point of the series.

The United Kingdom and most continental European countries have bought wool freely at recent sales in the Southern Hemisphere markets and at London. Japan has been the principal buyer in the Union of South Africa and also has purchased wool in South America. United States buyers recently have made substantial purchases of fine apparel wool in Australia and of coarser wools in Argentina, and they also bought sliped crossbred wools at the recent London sales.

Wool manufacturing activity continues at a high level in the United Kingdom and Belgium. A sharp increase in new business was reported in the French wool textile industry following the period of uncertainty in early October incident to the devaluation of the franc.

Activity in the domestic wool manufacturing industry has declined since August. The weekly average consumption of apparel class wool by United States mills was 5,180,000 pounds, scoured basis, in October, a decline of 3.5 percent compared with September, and of 30 percent compared with October 1935. After adjustment for seasonal changes, consumption in October was the lowest since May . Consumption of apparel wool from January through October of this year totaled 226,400,000 pounds, scoured basis, which was 11 percent smaller than in the same months of last year but it was larger than in the corresponding period of any previous year since 1923.

Imports for consumption of apparel wool in the first 10 months of 1936 totaled 88,000,000 pounds compared with 19,000,000 pounds in the same months of 1935. Imports from July to October averaged about 6,500,000 pounds a month. In view of the relatively low supplies of wool available in this country and recent purchases by United States buyers in foreign markets, an increase in imports is probable during the remainder of the present season (to April 1, 1937).

COTTON

Cotton prices were firm and comparatively steady during November, but a strong rise was experienced in the first part of December. The December 1 report of the Crop Reporting Board estimates the 1936 crop in the United States at 12,407,000 bales, or just slightly larger than the November estimate. In view of the very high level of activity in the domestic cotton textile industry, indications are that world consumption of American cotton will continue to be maintained throughout the season as a whole at a level not greatly different from that of last year. However, while all cotton consumption in foreign countries is at a high level, so far this season foreign mills have been using American cotton at a considerably slower rate than in the corresponding months of 1935.

The price of Middling spot cotton at the 10 markets averaged 12.06 cents in November compared with 12.07 in October and 11.77 cents in November 1935. The high for the month was 12.21 on November 30 and the low 11.91 cents on November 2. The average for the weeks ended December 5 and 12 were 12.37 and 12.61 cents, respectively. The very high level of domestic cotton consumption and the small supply of cotton in trade channels in the United States continue to be important price strengthening factors. Announcements relative to the Agricultural Conservation Program for 1937 and reports that the 1936-37 cotton crops in India and Brazil may be smaller than was indicated by earlier estimates also have contributed to the buoyancy of prices. The price of Indian, Egyptian, and Brazilian cotton at Liverpool, expressed as a percent of American, strengthened slightly in November compared with October, but remained such as to encourage the consumption of foreign growths at the expense of American.

A United States cotton crop of 12,407,000 bales was forecast by the Crop Reporting Board based upon condition as of December 1, compared with the November estimate of 12,400,000 bales, and an actual crop of 10,638,000 bales in 1935. The indicated world supply of approximately 19,400,000 bales is about 250,000 bales less than the 1935 supply and 17 percent less than the average supply in the 5 years 1931-32 to 1935-36. Since slightly over 3,000,000 bales of the indicated world supply of American cotton consist of Government financed stocks, the total supply of "free cotton" on the basis of present conditions is about 16,400,000 bales.

The domestic cotton textile industry continues to be very active. Bookings of new cloth orders by mills were smaller in the last half of November and early December than in the weeks immediately preceding, and in unfinished goods new orders probably fell a little short of production, according to the New York Cotton Exchange Service. However, mills possess such a large volume of unfilled orders that they are having to run at an extremely high rate in order to fill the deliveries specified in existing sale contracts. Mill activity is reported to have been higher in November than in October, and mill margins (the difference between the estimated value of cloth obtainable from a pound of cotton and the market price of raw cotton) were considerably wider as the result of a further strengthening of cloth prices. Margins (based on 17 constructions of grey cloth) were 16.60 cents in November compared with 14.88 in October. This represents the sixth consecutive month in which the margin has averaged higher than that of the preceding month. Cotton consumption in November was 627,000 bales compared with 512,000 bales in November of last season. Consumption in the 4 months, August to November, totaled 2,477,000 bales, an increase of 29 percent over consumption in the corresponding period a year earlier.

Trade reports indicate that there has been little change in the generally high level of cotton mill activity in foreign countries. In general, the improvement evident during the last 2 or 3 months in most of the former "gold bloc" countries has been maintained, although mill activity and cotton consumption are still very low in Italy. The cotton industries of the United Kingdom and Japan continue to have sales about equal to output and to possess a comparatively large volume of unfilled orders. Mills in Germany are operating at the maximum rate allowed by law. However, judging from the sharp decline in net imports of raw cotton, cotton consumption in Germany so far this season is much smaller than in the corresponding period last year. Apparently, the decreased utilization of cotton has been accounted for by the admixture with cotton of larger quantities of substitute fibers.

In foreign countries, as a whole, consumption of American cotton has been considerably smaller and consumption of foreign cotton materially larger so far this season than in the corresponding months of last year. It seems likely that larger supplies of foreign cotton, increased output of synthetic fibers, and the continued shortage of foreign exchange in some countries, together with barter arrangements for the purchase of foreign cotton, will result in a reduction in the consumption of American cotton in foreign countries in 1936-37 as compared with 1935-36, which will tend to offset the expected increase in consumption in the United States.

Exports of cotton from the United States amounted to 690,000 bales in November compared with 1,135,000 bales in November 1935. Exports in the 4 months, August to November, totaled 2,303,000 bales or 11 percent lower than in the corresponding period of last season.

Business statistics relating to domestic demand

Year and month	Industrial production 1/	Factory payrolls 2/	Factory employment 2/	Commodity prices: United States: Prices received by farmers 3/	Commodity prices: United States: Wholesale 2/: 1910-14 = 100	Commodity prices: United States: Wholesale 2/: 1926 = 100	Commodity prices: Foreign 4/: In foreign currency = 100	Interest rates in percent 5/	Industrial stock prices in dollars 6/
	1923-25 = 100								
1919	83	98	107	213	202	139	---	5.42	100
1920	87	118	108	211	225	154	---	7.37	90
1921	67	77	82	125	142	98	---	6.53	74
1922	85	82	90	132	141	97	---	4.42	93
1923	101	103	104	142	147	101	---	4.94	95
1924	95	96	96	143	143	98	105	3.90	100
1925	104	101	100	156	151	104	104	4.01	134
1926	108	104	101	145	146	100	100	4.23	153
1927	106	102	99	139	139	95	98	4.01	176
1928	111	102	99	149	141	97	98	4.71	226
1929	119	109	105	146	139	95	95	5.74	311
1930	96	88	91	126	126	86	85	3.56	236
1931	81	67	77	87	107	73	75	2.58	139
1932	64	46	66	65	95	65	70	2.58	65
1933	76	49	72	70	96	66	69	1.63	84
1934	79	63	82	90	109	75	71	1.00	98
1935	90	71	86	108	117	80	72	.79	120
1935									
Sept.	91	74	88	107	118	81	72	.75	132
Oct.	95	76	89	109	118	80	73	.75	135
Nov.	97	76	89	108	118	81	74	.75	144
Dec.	104	77	88	110	118	81	74	.75	142
1936									
Jan.	98	74	87	109	118	81	74	.75	146
Feb.	94	74	87	109	118	81	74	.75	152
Mar.	93	77	88	104	116	80	74	.75	156
Apr.	100	79	89	105	116	80	74	.75	156
May	101	81	90	103	115	79	74	.75	149
June	103	81	90	107	116	79	75	.75	155
July	107	80	91	115	118	80	76	.75	162
Aug.	108	83	93	124	119	82	77	.75	166
Sept.	109	83	95	124	119	82	77	.75	168
Oct.	109	89	96	121	119	82	79	.75	175
Nov.				120	120	82		.75	182

1/ Federal Reserve Board index, adjusted for seasonal variation.
2/ Bureau of Labor Statistics index, without seasonal adjustment. Revised.
3/ Bureau of Agricultural Economics, August 1909-July 1914 = 100
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
5/ Review of Economic Statistics, average of daily rates on commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.